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China Report

ECONOMIC AFFAIRS

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14 January 1986

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PRC OFFICIAL PROPOSES POLICY ON REFORM PLAN FOR 1986

HK150646 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT
11 Dec 85

[Text] Yesterday, at the closing session of the third meeting to exchange information about economic structural reform in 15 cities, held in Guangzhou, (Gao Shangqian), vice chairman of the State Commission for Structural Reform, said that it is a certainty that China will achieve victories in this year's reform. The policy for next year's reform is digestion, consolidation, coordination, improvement, upgrading, and development.

The vice chairman pointed out that on the basis of the success in the rural economic reform, China has made new progress in reform of the urban economic structure this year. Horizontal economic relations between units and departments have developed vigorously and rapidly. A socialist economic structure of diversification has been established. The socialist commodity market has made initial development. The scale of commodity economy for foreign trade is expanding. The reform has promoted continuous and steady development of the national economy. China's financial income for this year increased by 34.3 percent over last year, a high rate rarely seen since the establishment of the PRC. The country is expected to maintain a balance between revenue and expenditure this year.

On how to carry out reform in next year, (Gao Shangqian) put forth the 12-character policy of digestion, consolidation, coordination, improvement, upgrading, and development. He also put forth 12 proposals for next year's reform.

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NATIONAL POLICY AND ISSUES

QUALITY OF LEADERSHIP IN PRC KEY ENTERPRISES IMPROVED

HK030733 Beijing ZHONGGUO XINWEN SHE in Chinese 0144 GMT 28 Nov 85

[Text] Nanning, 28 Nov (ZHONGGUO XINWEN SHE)--It is learned from the second annual meeting of the Chinese factory directors (managers) work research conference currently held here that: According to a survey of 2,900 key enterprises across the country, cadres in their 40's constitute the majority of the leadership and cadres with higher education account for 89 percent of the total number of leaders.

According to a report, following the readjustment of leading groups in big and medium key enterprises across the country in the past 2 years, 60 percent of the enterprises have achieved good economic results since the new leading groups came to power; the new leading groups of some factories have changed losses into profits in a short time; and only 5 percent of the enterprises still have not registered good results after the leadership readjustment. In addition, 35 percent of the enterprises have not shown notable changes due to the short length of time after the readjustment.

It is learned that the more than 1,000 newly-elected factory directors and managers share a common characteristic of attaching importance to scientific management and technological progress since they came to power. As a result, many of them have scored outstanding achievements in a short time, and over 80 leaders of enterprises have been promoted to leading positions at provincial level and ministerial level of the central government. Ma Lin, the newly-appointed vice governor of Sichuan Province, was originally an engineer at the Baoji Railway Branch Bureau. Over the last 2 years, while assuming leading positions in Xian Railway Bureau and Chengdu Railway Bureau, he succeeded in changing the lack of transportation capacity and overstocking of freight into unimpeded passenger and cargo transportation. Because of the structural readjustment of the leading groups in the railway system throughout the country, the volumes of freight and passengers carried in the first half of this year have respectively increased by 5 to 10 percent over the corresponding period of last year, and the accident rate has dropped by 53 percent.

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NATIONAL POLICY AND ISSUES

TELEPHONE CALLS FROM PRC TO TAIWAN NOW POSSIBLE

HK160735 Hong Kong SOUTH CHINA MORNING POST in English 16 Dec 86 pp 1, 16

[Article by special correspondent]

[Text] Xiamen: It is now possible to make a telephone call from this Fujian city to Taiwan because of the introduction of direct dialing.

And it appears the Taipei authorities are unable to control the flow of telephone traffic between the mainland province and Taiwan due to the advent of IDD (International Direct Dialing).

As a result, tourists from the Republic of China, long separated relatives and even Western business executives are using the service and surprising people by stating that they are speaking from the People's Republic of China.

With the help of IDD, telephone services are now developing along the lines of the "three links" the mainland is advocating. The three links are: mail, trade and sea-air transport.

The IDD service is not only available in Xiamen but also other cities in Fujian province as well as Guangzhou, Shenzhen, Zhuhai and Tianjin.

On Gulangyu, the island opposite Xiamen which used to be a foreign concession, the post office remains open round-the-clock and the operators show no surprise when a customer hands in a form requesting a call beginning with the prefix 02, for Taipei.

"It is easier if the call is station-to-station because then we do not need to go through the Taiwan operator," a mainland operator explained.

Said a foreign businessman: "The line was excellent...I had the impression I was using the phone somewhere in North America. I had to wait only five minutes before I could reach my wife in Taipei. She thought I was back in Hong Kong. When I told her I was calling from the mainland, she thought I was joking. It was nice to talk to my children after five weeks of traveling between Beijing and Xiamen."

A three-minute phone call to Taipei from Xiamen costs 12 yuan (about HK\$33) with each additional being four yuan (about \$11).

One operator when asked about the terms of payment jokingly remarked that "collect calls are not possible."

Taipei telephone operators have been instructed to cut the line if they find the call is from the mainland and, for each such call reported, they receive a bonus, such as a half-day holiday.

Now with IDD it has become much more difficult for the Taiwan authorities to trace calls from the mainland.

This is creating a headache for the Nationalist Government as it has officially rejected the "three links" concept, and emphasized instead the three negatives--no contact, no communication and no compromise.

Until recently, making a telephone call to Taiwan from the mainland would have amounted to an act of treason for having direct communication with the enemy.

But with today's policy of "peaceful reunification" the customer is greeted with a smile and issued with a receipt stating:

"Received...renminbi for a phone call from Xiamen to Taipei."

And as the Gulangyu post office is not a hotel for foreigners, it is not necessary to pay in foreign exchange certificates.

The telephone equipment in Xiamen is Japanese made and calls between Fujian and Taiwan go through Hong Kong.

With an IDD system being developed in Taiwan, it should also soon become possible to telephone directly from any part of Taiwan to mainland cities.

In another development apparently involving the same "peaceful reunification" policy, a foreign traveler was recently able to settle his hotel bill in Taiwan currency at the Overseas Chinese Hotel in Quanzhou.

As the hotel insisted that the foreign guests pay in a currency other than yuan, the Western tourist offered New Taiwan dollars which, after a telephone call to the Bank of China, were accepted at the rate of NT\$100 to 7.4 yuan.

A green NT\$100 note handed over showed Dr Sun Yat-sen, who was easily recognized by hotel staff, but a NT\$500 bill showing Chiang Kai-shek resulted in the customer being asked: "Who is he? Is he Chiang Kai-shek or Chiang Jing-kuo?"

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NATIONAL POLICY AND ISSUES

FURTHER INVIGORATION OF STATISTICAL WORK DISCUSSED

Beijing TONGJI [STATISTICS] in Chinese No 7, 17 Jul 85 pp 5-7

[Commentary: "More On Further Invigorating Statistical Work"]

[Text] Issue No 6 of this magazine published a commentary: "Further Invigorate Statistical Work" which briefly analyzed the gap existing between the current statistical work and the objective needs and put forth opinions that efforts should be made to further invigorate statistical work, emancipate the mind, expand the source of statistical information and adopt flexible and varied ways and means to analyze and provide statistical data.

We want to reemphasize that invigorating statistical work is for the purpose of giving full play to various types of statistical data so as to serve socialist modernization even better. At present, it is to serve the restructuring of the economic system and the policy of invigorating the domestic economy and opening to the outside world. To serve well, it is imperative first of all to understand the important general and specific policies and central tasks for a period and also to have a profound understanding of what issues the party and government leaders are interested in now, what issues they are concentrating to work on and in what areas they are preparing to make important policy decisions. Only by understanding these can we provide statistical data expeditiously and with a clear aim in mind. Many areas have acquired some experience and intimate knowledge in this respect. We have gained a good deal of enlightenment from the change in work in the Jiangsu provincial statistics bureau recently. Prior to the national statistical work conference held in September last year, what the Jiangsu provincial statistics bureau had been providing the party and government leadership periodically were mostly data in report forms on which Comrade Governor Gu Xiulian [7357 4423 5571] commented: "Your statistical bureau is too rigid; it cannot catch up with the situation." After the national statistical work conference, they strengthened regular contacts with the provincial CPC committee, the policy research departments of the provincial people's government, the comprehensive economic departments, the propaganda departments and secretaries of the leading comrades to find out what issues were being considered by the party and government leadership before pertinent statistical data were collected, compiled, analyzed and provided expeditiously and with a clear aim in mind and to make sure that the materials so provided

were substantiated by the situation and backed by data, analysis and suggestions with a certain magnitude and depth, thereby changing the manner of supplying statistical data from "sending an umbrella after the rain has ended" in the past to "sending charcoal during a snowfall" and from sending "unmarketable" goods to sending "marketable" goods. For instance, prior to the convocation of the 3d Plenum of the 12th CPC Central Committee, when the provincial statistical bureau learned from the research office of the provincial CPC committee that leading comrades of the provincial CPC committee urgently needed materials about restructuring the economic system, the materials were put in order and provided expeditiously to the great satisfaction of Comrade Han Peixin [7281 1014 0207], secretary of the provincial CPC committee. Prior to the seventh congress of the Jiangsu provincial CPC and the provincial conference of county CPC committee secretaries and magistrates, the provincial statistical bureau prepared questions for discussion and provided statistical analysis data for these two meetings, data which were well received. Comrade Han Peixin wrote comments on an analytical report: "Some progress has been made in statistical work recently, the analytical data prepared researching the central task were very useful to us." The provincial statistical bureau also prepared lengthy materials in a timely manner about the Sixth 5-Year Plan for Jiangsu Province, showing why financial revenue was proportionately lower than the national income and why output value grew faster than financial revenue. Comrade Governor Gu Xiulian, who was very satisfied with the materials, found the analytical issues featured in the statistical data recently provided by the provincial statistical bureau together with other suggestions very useful. She voluntarily asked whether the statistical bureau had encountered any problems in work and what kind of support it needed. When she heard that the provincial statistical bureau had problems in funding, she allocated 500,000 yuan outright. This vivid example of Jiangsu Province and similar cases in other places have enlightened us: An important aspect needing attention is to invigorate statistical work through many channels and by constantly understanding the needs of the party and government leadership for statistical data of late and providing them expeditiously with a clear aim in mind. Without understanding the needs and without finding out whether or not the statistical data are "marketable," simply submitting statistical report forms on schedule will not serve the purpose and cannot achieve maximum results.

Another important aspect of invigorating statistical work is that statistics must serve society. Various localities have done a great deal of work in this respect since the Tianjin conference. Besides publishing highlights of elaborate statistical figures and compiling and publishing statistics yearbooks, statistical information and consultation service has also developed step by step. Statistical consultation service is a new undertaking for the statistical departments, we must have a correct understanding and correct orientation to start developing this work. It should be noted that the purpose of starting the statistical consultation service is to give full scope to the statistical service, spread the influence of statistics and stimulate steady development of statistical work. Furthermore, by developing this work, we can understand society's needs for statistics even better and can have a good command of more statistical information sources in the course of satisfying these needs. Richer statistical information sources can also help

develop statistical information and consultation service further. With the widespread and in-depth development of the statistical information and consultation service, statistical work will become more and more understandable to various social sectors, its social status and influence will rise with each passing day and its application will be broad as it progresses. There are varied ways and means to promote statistical information and consultation service, either by compiling and publishing various types of statistical information or by processing and sorting out currently available data based on needs. Other means also include arrangement for investigations to acquire data not yet available on hand, accepting work by consignment, designing statistical investigation plans for those who need them and so forth. To embark on this work, it is necessary to put in extra manpower and material and financial resources, thus, a certain fee has to be collected based on the situation, making it a compensatory service. While this is necessary and should be done, it is not the goal. The goal is to give better play to statistical service and to invigorate statistical work even more.

Whether in the service of the party and government leadership or society, it is very important to pay attention to and raise the time effectiveness of statistical data. Under more invigorating economic conditions, various quarters are in need of richer, more suitable and timely statistical information with strong time effectiveness. Although some materials are good in substance and suitable, if they are not forthcoming in a timely manner, they will become "belated advice" that may reduce the effectiveness of the statistical data or have no effectiveness to speak of at all. To improve time effectiveness, we cannot stick to the old way of doing things. To promote sound estimates and scientific forecasts, it is necessary to apply modern calculation and transmission techniques. To serve the leadership, it is essential to provide statistical data before the leadership reach a policy decision. In serving the public, attention should also be directed toward time effectiveness; if the service consumers are operators of enterprises, every effort should be made to satisfy their needs as fully as possible in making certain choices.

Another important aspect in further invigorating statistical work is to pay attention to the development and application of electronic computing technology and the application of mathematical results in statistical work. As statistical information is becoming more and more abundant and the demand for statistical information by all quarters is growing steadily, nothing will work without modern means of computation. At the moment the State Statistical Bureau and the statistical bureaus in various localities are energetically equipping themselves with electronic computers, it should be noted that everyone should concentrate on developing and applying electronic computers as soon as they are ready for use. An electronic computer should not be used only as a "big abacus," we should make full use of its good qualities and give full play to its role. Electronic computers have created conditions for applying modern mathematical results in statistical work. Just as Comrade Qian Xuesen [6929 1331 2773] pointed out: "The application of modern mathematical results is the future in the development of statistics through which statistics will be made more scientific and reliable." This can be seen clearly from the compilation of input and output charts and the initial

development of economic forecasting. Strengthening macroeconomic control requires statistical work to reflect the changes of various economic phenomena and their mutual relationships from the standpoint of quantity. To do this work well and more effectively, besides studying economic theories diligently, it is also necessary to draw support from mathematical methods and electronic computers. We should study the knowledge in these fields energetically so as to improve our statistical work.

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NATIONAL POLICY AND ISSUES

REFORM OF STATISTICAL WORK DISCUSSED

Beijing TONGJI [STATISTICS] in Chinese No 7, 17 Jul 85 pp 6-7

[Article by Tan Yi [6223 3015]: "A Brief Account of National Symposium on Reforming Statistical Work"]

[Text] The national symposium on reforming statistical work was held in late May 1985 in Beijing. The meeting exchanged experience in reforming statistical work in various localities since the national statistical work conference held last year, discussed issues on how to strengthen macro-economic statistics and analysis, set up GNP statistics and statistics for tertiary industry and gradually develop statistics on input and output.

Among those who addressed the meeting were State Statistical Bureau Director Zhang Sai [1728 1049], deputy director Yue Wei [1471 1550] and adviser Li Chengrui [2621 2052 3843]. Noted economist Yu Guangyuan [0060 0342 6678] also made a report.

The participants considered the policy of reforming statistical work put forth by the Tianjin conference calling for "five changes" timely. Since the meeting, the statistical departments in various localities have made rotatable achievements in shifting the service orientation from "closed" to "open" in nature and are now capable of processing, sorting out, analyzing and studying large volumes of statistical data dealing with issues that the party and government leadership are concerned with at present; they are playing an important role in influencing policy decisionmaking by the party and government leadership and improving research work in various relevant departments. The State Statistical Bureau has received more than 1,000 statistical analysis reports and concise data in the past 7 months from statistical bureaus of various provinces, autonomous regions, directly subordinate municipalities and cities subordinate to provinces under a unitary plan, out of which about 300 were on special subjects and of a comprehensive nature. The statistical bureaus of many provinces and municipalities including Jiangxi, Liaoning, Yunnan and Guangdong were well received by the party and government leadership for their timely report of certain important issues in the field of macroeconomy. Tremendous progress has also been made in service to the public. The State Statistical Bureau and the statistical bureaus of various provinces, directly subordinate municipalities and

autonomous regions have issued statistical communiques from 1 to 2 months earlier than they did last year. More statistical information has been released through newspapers, television and broadcasting programs than before. Some provinces and municipalities have published more statistical data this year and also developed statistical information and consultation service.

The meeting seriously discussed issues of reforming the statistical system centered on macroeconomic control. (1) Government statistical organizations at all levels should strengthen statistics on overall balance and pursue specialized statistics well in line with this demand and form a series of national economic accounting systems. (2) It is imperative to absorb the good qualities of Western statistical methods on the basis of the statistical accounting system currently in effect and step by step form a national economic accounting system with Chinese characteristics. At the moment, while always doing a good job of compiling statistics on total output value in society, gross industrial and agricultural output value and the national income, it is necessary to concentrate on building statistics on GNP value and tertiary industry. (3) The two transitions should be promoted successfully: a) the transition of agricultural statistics gradually from statistics of agricultural production to rural social economic statistics; b) the transition of the statistics of industry and building industry gradually from production statistics to production and operational statistics. (4) Observation on horizontal contacts must be strengthened and macroeconomic analysis must be done well. The basic features of macroeconomy include two aspects, namely total supply in society and total demand in society. Statistical work must combine the various indices in these two aspects and also must control their organic contacts.

Discussing the demarcation line of division of work between government statistics and departmental statistics, the meeting suggested that the following be considered: a statistical investigation that is not required for overall balance, but only required by the management of the operational departments themselves and has to be carried out within the system under their own jurisdiction, may be assigned to the operational departments; important statistical projects dealing with national conditions and national strength should be drawn up by the State Statistical Bureau or be drawn up jointly by the State Statistical Bureau and the pertinent departments of the State Council to be submitted to the State Council for examination and approval before putting into effect. With regard to the internal division of work among the government statistical departments and the establishment of organizations, it should be studied carefully by proceeding from the needs of elevating the level of statistical work and by summing up experience. The purpose of establishing the two urban and rural sampling investigation teams is to strengthen statistical work, these two are expected to play a tremendous role in replenishing the statistical forces and in developing investigation by sampling. These two investigation teams should set about their work from now on under the unified leadership of statistical bureaus of equal levels.

Since the 1983 national statistical work conference, various localities have made very significant progress in transforming statistical computation

techniques and popularizing the application of electronic computers. According to incomplete statistics, government statistical departments have equipped themselves with 473 microcomputers, while some places have also purchased mini-computers. Statistical bureaus in various leagues and cities in Nei Monggol Autonomous Region have equipped themselves with microcomputers. Hunan is solving the issue of the prefectural and city joint network. Various localities have stepped up training in computer techniques. Many other places have trained software personnel, and every department in the Beijing municipal statistical bureau is equipped with software personnel. The scope of information processing by means of microcomputers has been expanded. The meeting emphasized better management and the use of the various types of existing computers, serious training of personnel and the development of software.

The meeting called on various localities to prepare well for the convocation of the national statistical work conference at the end of this year. The conference will discuss the revision of the overall plan for reforming statistical work, study the national economic accounting index system and analyze the economic situation and situation for reforming statistical work.

The meeting put forth the focal points of statistical work for the second half of this year:

1. Vigorous efforts should be made to raise service quality and keep a firm hold on overall balance and analysis and study. It is imperative to provide some significant statistical and analytical data centered on summing up the implementation of the Sixth 5-Year Plan base on which to draw up the Seventh 5-Year Plan.
2. Doing a good job in forecasting 1985 economic development and compiling analytical reports by summing up the Sixth 5-Year Plan.
3. Expeditiously reporting the effects, impact and existing problems regarding the measures governing important wage and price reforms and putting forth measures that should be adopted.
4. Establishing statistical systems relating to the GNP and tertiary industry and gradually replenishing and perfecting them; the methods used may progress from simple to more elaborate in nature and from simple to more complicated in form.
5. In keeping with the promulgation and putting into effect of the "Rules for Implementation of the Statistics Law," the "Statistics Law" should be implemented consistently and in depth, with emphasis on improving the accuracy of statistical figures.

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CSO: 4006/90

NATIONAL POLICY AND ISSUES

BRIEFS

'CHINA IN 2000'--Beijing, 16 Dec (XINHUA)--Work is now under way to publish a series of reports on what China will be like in 2000, for distribution in June next year. These are the findings of a state council-backed research project. The two-year work involved several hundred researchers. "China in 2000", under 16 titles, will forecast the most vital aspects of China including its population, employment, economic development, as well as international economic environments at the turn of this century. They are compiled by the State Council Economic, Technology and Social Development Research Center and other central authorities. The 16 titles will be published separately by China Social Science Publishing House, Shanghai People's Publishing House and "Economic Daily" Publishing House. [Text] [Beijing XINHUA in English 0716 GMT 16 Dec 85 OW] /9738

CSO: 4020/135

PROVINCIAL AFFAIRS

XINJIANG SECRETARY COMMENDS BEIJING-URUMQI TRAINS

OW140532 Beijing XINHUA Domestic Service in Chinese 1227 GMT 12 Dec 85

[Article by reporter Han Wenhui]

[Excerpts] Urumqi, 12 Dec (XINHUA)--The Xinjiang Uyghur Autonomous Regional Party Committee and the People's Government sponsored a mass rally in Urumqi yesterday to commend the workers of the express trains of the Urumqi Railway Bureau for their education on lofty ideals, for having won top national honors for 3 consecutive years in providing good transportation services to passengers travelling to Beijing and Shanghai, and for having made outstanding contributions to promoting socialist ethics in Xinjiang. The regional party committee and government also called on people of all nationalities in Xinjiang to follow the example set by the train workers. Song Hanliang, secretary of the Regional Party Committee, presented silk banners to the train workers.

Speaking at the rally, Tomur Dawamat, deputy secretary of the Autonomous Regional Party Committee, said the train workers' experience in conducting political and ideological work is a living lesson for educating people on lofty ideals and for promoting socialist ethics. He called on people of all nationalities in Xinjiang to emulate the train workers' noble character of upholding communist ideals and conviction, working hard and selflessly, and serving the people wholeheartedly; their fine work style of abiding by law, performing their duties impartially, and consciously resisting the inroads of decadent ideas; and their spirit of striving to provide the best service in the country.

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CSO: 4006/450

PROVINCIAL AFFAIRS

BEIJING SPEEDS UP PRIVATE TELEPHONE INSTALLATION

HK060637 Beijing CHINA DAILY in English 6 Dec 85 p 3

[Article by Wu Wei]

[Text] Beijing is speeding up the development of private telephones as a major part of its program to expand the city's telephone service over the next five years.

The rising living standard and increasing need for information have prompted more Beijing residents to want home telephones. By the end of October, the city had installed 15,000 residential telephones, which account for 12.8 percent of the city's total of 117,000 said Ni Yilin, deputy director of Beijing Telecommunications Administration.

"Though it is a big increase over recent years, the percentage of home phones is still too small, compared with an average of 80 percent in developed countries," Ni said. "The situation is even worse in the countryside. In the suburbs of Beijing, there are only some 20 private telephones."

The shortage of private telephones resulted not only in more pressure on the overloaded public telephone service, but also wasted time and money, he said.

"Since few people have phones at home, most of them have to use office telephones, causing hours of telephone jams during the day," Ni said. He said more telephone exchanges had to be built to solve the problem, which caused people to wait for hours to make long distance calls.

To achieve a three-fold increase in the number of home telephone, over the next five years the city has taken measures to encourage their installation, Ni said.

Home phone customers are now given a 40 percent discount in their phone rental and 80 percent discount on installation fees," Ni said.

Up to now, installing a telephone required the user to pay for the cost of a line linking the telephone exchange with his house. The installation can be too expansive and complicated. There was an applicant who had waited for more than 10 years for someone else to join him in getting a phone line installed, because he could not afford it alone.

To tackle the problem, the city has now worked out a new plan. All large residential buildings have to provide room for a conduit to carry telephone lines that will connect the building's phones with the nearest exchange.

And all new apartment blocks will be required to have telephone wiring and outlets. This will cut the installation fees by half and enable applicants to get a new phone installed within a day, once the application goes through.

For those old residential areas where there are no telephone facilities, the city has decided to develop the residential telephone switch boards as an interim measure.

A residential switchboard handles 20 telephones--enough to cover an average Beijing housing compound, Ni said.

So far there are 120 such small exchanges in operation handling nearly 2,000 telephones.

By the end of this year, Beijing will have 200,000 telephones in use. The number will jump to 600,000 by 1990, of which 90,000 will be residential telephones, Nie said.

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PROVINCIAL AFFAIRS

LIAONING'S ACHIEVEMENTS IN COMMUNICATIONS NETWORKS NOTED

SK110458 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 10 Dec 85

[Text] During the Sixth 5-Year Plan period, our province has greatly developed communications, transport, post and telecommunications networks. The increase in the capacity of railways, highways, waterway transport, civil aviation, transportation through pipelines, communication, as well as post and telecommunications greatly exceeded that of the Fifth 5-Year Plan. Communications, post and telecommunications and civil aviation increased by 190 percent or more than 200 percent.

So far, the railway mileage in operation has reached some 4,800 km. Special lines of communication connecting plants and mining enterprises with the main railway lines have been extended by more than 4,000 km. The highway transport mileage reached some 31,000 km and the number of motor vehicles for passenger and freight transport reached some 166,000. The five coastal ports in operation have a total of 25 berths for 10,000-tonners, and 32 berths for 1,000-tonners. In civil aviation, our province has 10 direct air routes with a total airway mileage of 17,000 km.

The number of telephone switchboards in the cities reached 210,000 and the long-distance telecommunications lines reached more than 4,800 km. The annual handling capacity of post and telecommunications reached more than 1.8 billion pieces.

In the 5 years since 1980, with the implementation of the principle of opening to the outside world and invigorating the domestic economy, our province's communications, transport, postal and telecommunications industries have gradually changed from monopolized management into a new structure of transport, post and telecommunications which has broken down barriers between different departments, regions and trades; closely linked up land transport with that of water and airway; and aroused the initiative of the central and local units, the state enterprises, the collectives and the individuals. By the end of this year, the Dandong Langtou Port, the Dalian Xianglujiao wharf, the Yingkou (Gouxu) wharf, and the Jinzhou Huludao Port will have a capacity of handling 1.5 million tons of grain.

Dalian chemical works raised funds to build two berths for 10,000 tonners and a special wharf for 5,000 tonners. The annual cargo handling capacity may

reach 600,000 tons. The number of passenger and freight transport vehicles owned by the individuals or cooperative households reached some 16,500 and that of tractors reached 100,000. The number of passenger and freight liners reached 210. Dandong, [name indistinct], Fuxin, Jinzhou, and other localities also witnessed a good trend of building roads, bridges, and airports as well as operating other communications undertakings with funds raised by the localities and subsidized by the government. At present, the installed capacity of the telephone exchange center operated by the villages has exceeded 10,000 lines.

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CSO: 4006/420

PROVINCIAL AFFAIRS

LIAONING STATISTICS ON MARKET SITUATION

SK060211 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 4 Dec 85

[Text] During the Sixth 5-Year Plan period, urban and rural markets in our province have continued to be brisk. A commercial network involving various sectors of the economy and various circulation channels has preliminarily been formed.

According to statistics compiled by the Liaoning Provincial Statistics Bureau, the number of retail, catering, and service centers is expected to reach more than 410,000 with an employment of 1,225,000 people by the end of this year, registering increases of 370 percent and 100 percent respectively over 1980 and overfulfilling the targets set in the Sixth 5-Year Plan.

Market supplies have been enlarged annually. The methods in which commodities are restrictedly rationed are gradually being abolished. The volume of retail sales of commodities increased from 11.65 billion yuan in 1980 to 17.96 billion yuan in 1984. The province prefulfilled the target for retail sales volume set in the Sixth 5-Year Plan by 1 year. By the end of this year, the volume of retail sales of commodities is expected to reach 21.5 billion yuan, an increase of 84.5 percent over 1980. Adjusted to the price readjustments, the average increase rate was 8.8 percent yearly. The volume of retail sales of principal consumer goods increased by a big margin. Of this, retail sales of such commodities as food, clothes, and daily necessities increased by more than 100 percent over 1980. In the Sixth 5-Year Plan period, the province has registered the greatest and fastest increases in the volume of retail sales of commodities since the founding of the PRC.

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PROVINCIAL AFFAIRS

HEBEI REPORTS ACHIEVEMENTS IN INDUSTRIAL PRODUCTION

SK111048 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 1 Dec 85

[Text] Gratifying changes have taken place in industrial production during the Sixth 5-Year Plan period. The province has maintained a steady increase in industrial production. From 1981, the annual average increase in industrial production has been 8.7 percent, overfulfilling the targets for ensuring a 4-percent increase and striving for a 5-percent increase set forth in the Sixth 5-Year Plan. The proportion between light and heavy industries becomes more balanced. Of the total industrial output value, light industrial output value increased by 3.8 percent and heavy industrial output value was reduced by 3.8 percent comparing 1985 with 1980.

The newly added production capacity of the coal industry reached 9.63 million tons. Electric energy production increased by 30.9 percent. The opening of four air routes has accelerated the construction pace in the fields of energy resources and transport.

Having persistently carried out the principle of pooling the efforts of the state, the collectives, and the individuals since 1982, the province has changed the tendency of paying attention to the state enterprises, looking down upon the collective enterprises, and discriminating against the individual enterprises, so that the various sectors of the economy are developed simultaneously. The situation in which we paid attention to speed but looked down upon the results has been changed. The profits and taxes realized by the state-owned industrial enterprises during the past 5 years are equal to 90 percent of the original value of the existing fixed assets, an increase of 34.6 percent over the same figure in the Fifth 5-Year Plan period.

It is estimated that a total of 7,300 items on technological transformation will be fulfilled and made available to the enterprises, and 4.56 billion yuan worth of fixed assets have been newly added during this period.

The province has gradually turned the closed type of economic and technological cooperation into an open type. During the past 5 years, the province has established more than 4,500 items on economic and technological cooperation with fraternal provinces, municipalities, and regions, and signed 273 items on importing technology with foreign countries.

Since 1983, the enterprises across the province have organized and established 826 lateral integrated economic operations. This has made it possible to explore ways to restructure the organizations of the enterprises. Though the urban economic restructuring, the enterprises are being vitalized and are beginning to eliminate the practice of eating from the same big pot prevailing in the relations of the enterprises to the state and those of the workers and staff members to their enterprises.

During the Sixth 5-Year Plan period, the workers and staff members of the enterprises, through various types of study and training, have upgraded their educational awareness and ceaselessly enhanced their quality.

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PROVINCIAL AFFAIRS

HENAN DEVELOPS NEW CHARACTERISTICS IN INDUSTRIAL PRODUCTION

HK111002 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 9 Dec 85

[Text] According to HENAN RIBAO, the province fulfilled this year's industrial output value target ahead of schedule, at the end of November. Of the 22 major industrial products, the province overfulfilled the annual output targets for 14 products including cotton yarn, synthetic fabrics, detergent, cigarettes, and bicycles.

The major characteristics of the province's industrial production this year are:

1. Collective-run industries have developed rapidly. From January to October, the output value of collective-run industrial enterprises in cities and towns increased by 44.2 percent over the same period of last year. The output value of collective-run industrial enterprises in rural areas increased by 28.1 percent over the same period of last year. Both increase rates are [word indistinct] than the increase rate of 16.76 percent of industrial enterprises run by the whole people.
2. The province has established a proper ratio between heavy and light industries, a ratio of nearly 50 percent to 50 percent. From January to October, the output value of the province's light industry increased by 25.5 percent over the same period of last year, and the output value of the province's heavy industry increased by 18.4 percent over the same period of last year.
3. The province's industrial production has achieved simultaneous development in its growth rate and economic results. From January to October, the output value of the industrial enterprises in the province covered by the state budget increased by 16.76 percent over the same period of last year. The profits and taxes submitted by them to the state increased by 23.65 percent over the same period of last year. The province's revenue during the period increased by 26 percent over the same period of last year. The relatively high growth rate of the province's industrial production in the first half of this year has now slowed.

The main reasons for these achievements are:

1. The reform of the urban economic structure has given vitality to enterprises. The horizontal economic relations between enterprises have been expanded.

2. A number of new projects and projects involving technological import and transformation have been completed and put into operation, resulting in an increase of 1.2 billion yuan in the province's industrial output value.

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PROVINCIAL AFFAIRS

HENAN HOLDS MEETING ON PRODUCTION IN PREFECTURES, CITIES

HK150832 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 11 Dec 85

[Text] On 8 and 9 December, the provincial Planning and Economic Committee held a meeting of all prefectures and cities on production, to exchange experiences in work, to analyze the situation in production next year, and to study and work out measures for industrial production and communications next year.

Vice Governor Qin Kcai and provincial Planning and Economic Committee Chairman (Zhong Lisheng) attended the meeting and spoke. Comrade Qin Kcai pointed out: The overall situation in industrial production in 1985 has been very good. Production has increased and development has been even. Collective industry has developed quickly. Speed and economic results have simultaneously increased. The economic relations among enterprises and regions have been further strengthened. The light industry has been coordinated with the heavy industry well. Textile industrial production has increased again.

The meeting put forward demands on the quotas for industrial production in the province next year. It is necessary to have a normal and proper speed of development and to have still better economic results. Industrial production must increase by 8 to 10 percent. In the first quarter of next year, 25 percent of the quota for the industrial output value for the whole year must be fulfilled. It is essential to ensure a balanced production and a simultaneous increase in speed and economic results. Economic results must be better than this year. The amount of deficits must be 30 percent less than this year.

Regarding the issue of doing well in production next year, Vice Governor Qin Kcai put forward these demands: It is imperative to improve the quality of products, to develop new products, to economize on energy, to reduce consumption, to make technological progress, to speed up the popularization of modern management, to continuously strengthen economic relations among enterprises and regions, and to ensure safety in production.

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PROVINCIAL AFFAIRS

NEI MONGGOL OVERFULFILLS ANNUAL REVENUE PLAN

SK120929 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 11 Dec 85

[Text] As of mid-November, our region had overfulfilled the annual revenue plan by 16.7 percent 1 and 1/2 months ahead of schedule, and total revenue reached 1.02 billion yuan, showing an increase of 280 million yuan over the same period last year, an all-time record.

We attribute the region's good achievements in revenue mainly to the following few points:

1. We have reformed the revenue management system, shared responsibilities for fulfilling the revenue and expenditures tasks at different levels, decentralized all sorts of financial powers to the lower levels, increased the financial resources of leagues and cities, and boosted the enthusiasm of the local authorities in managing their money matters.
2. We have grasped the work of increasing revenue and reducing expenditures early and firmly.
3. We have established the responsibility system of ending deficits and increasing profits, and urged leaders at all levels to grasp the work of their own levels. In the first 10 months of this year, the profit increase in state-owned profit-making enterprises covered by the budget reached 27.8 percent. The reduction in the deficits incurred by money-losing enterprises reached 54.96 percent, ranking first in the whole country.
4. We have scored pronounced achievements in the financial survey. So far, we have discovered an illicit sum of 88.69 million yuan, and more than 50 percent of the sum which should be repaid to the state treasury have been collected and restored to the treasury.

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PROVINCIAL AFFAIRS

NEI MONGGOL'S FULFILLMENT OF 6TH 5-YEAR PLAN

SK060513 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 2 Dec 85

[Excerpts] A good situation characterized by political stability, unity between the people of all nationalities, and a sustained, stable, and coordinated economic development has emerged in our region since the 3d plenum of the 11th CPC Central Committee. The region has prefulfilled the industrial and agricultural output value target set forth in the Sixth 5-Year Plan by 1 year. As of the end of last year, the region has overfulfilled the industrial and agricultural output value target set forth in the Sixth 5-Year Plan by 3.7 percent and 1 year ahead of schedule. The total industrial and agricultural output value this year is estimated to reach 15.5 billion yuan, an increase of over 63 percent over 1980. The total agricultural output value this year is estimated to reach 6.2 billion yuan, an increase of over 73 percent over 1980. Under the situation that the grain sowing area was reduced by 6.9 million mu from 1980, the total grain output increased from 7.93 billion jin to 12.7 billion jin. The output of beets this year reached 5 billion jin and that of oil-bearing crops, 1.5 billion, showing an increase of 200 percent over 1980.

During the Sixth 5-Year Plan period, the region has made developments in livestock production. Notable progress was made with regard to livestock quality, livestock marketable rate, and livestock slaughtered.

The proportion between agriculture, light industry, and heavy industry has become balanced during the Sixth 5-Year Plan period. From 1980 to 1985, the annual average increase rate of the region's agriculture, light industry, and heavy industry was 11.63 percent, 9.9 percent, and 9.3 percent respectively.

During the Sixth 5-Year Plan period, the people's income has increased year after year and their livelihood has been improved step by step. The per capita net income of the peasants is expected to reach over 350 yuan, an increase of over 160 yuan over 1980. The per capita net income of the herdsmen is expected to register an increase of 100 percent over 1980 and to reach 600 yuan.

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PROVINCIAL AFFAIRS

BRIEFS

HARNESSING TWO RIVERS--The work of thoroughly harnessing the Namming He and Shixi He in Guiyang City was begun on 4 December. Leading comrades of the provincial and city party, government, and army, including Hu Jintao, Ding Tingmo, (Liu Yiling), Jiao Bin, Li Wanli, and (Wang Shouqun), and some 10,000 people from provincial and city organs, factories, mines, PLA units, and streets took part in voluntary labor to harness the rivers. Guiyang City regards this work of harnessing the rivers as main and major work for this winter and next spring. Acting Mayor of Guiyang City (Wang Shouqun), spoke at yesterday morning's mobilization rally. He hopes that leading cadres at all levels and Communist Party members will personally set an example, take the lead in participation, and mobilize more people through their exemplary actions to take part in voluntary labor to harness the rivers. [Excerpts] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 4 Dec 85 HK] /9738

MAYOR INSPECTS TRAFFIC--Braving the rain, Mayor Jiang Zemin went to Xujiahui Bridge on the morning of 6 December to comfort the militiamen, tariff control workers, and students who were directing traffic and helping maintain traffic order. After an inspection of the traffic, Major Jiang said: We must publicize traffic regulations before we enforce them. Education should precede punishment. [Excerpts] [Shanghsi City Service in Mandarin 2300 GMT 6 Dec 85 OW] /9738

ENGINEERING SOCIETY CONGRESS--The Chinese Society of Communications Engineering held its second congress in Hangzhou on 7 December. Wang Zhanyi, vice minister of communications and president of the Society of Communications Engineering, addressed the meeting. Zhejiang Province Vice Governor Wu Minda and Hangzhou City Vice Mayor (Wang Guangde) also attended and addressed the meeting. The participants included experts, scholars, and senior engineers of communications engineering from all parts of China. After reviewing the society's achievements since it was founded 4 years ago, Vice Minister Wang Zhanyi put forward the tasks of the society under the new situation. He said: The society should actively carry out academic activities and scientific research to tackle problems for the development of highways, urban roads, and transportation in our country. It should comprehensively unite the experts and scholars of communications engineering in our country, popularize new scientific and technological achievements, further promote technical consultancy service, and make greater contributions to developing China's communications undertakings. [Text] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 7 Dec 85 OW] /9738

FUJIAN INDUSTRIAL OUTPUT VALUE--With 1984 industrial output value amounting to 11,394 million yuan, Fujian fulfilled its Sixth 5-Year Plan a year ahead of schedule. The 4-years' total industrial output value exceeded the 5-year plan target by 594 million yuan. The province's industrial output value in 1985 is expected to reach 143.3 billion yuan. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 5 Dec 85 OW] /9274

FUJIAN GOVERNOR INSPECTS TOWNSHIP--Governor Hu Ping recently investigated and studied the situation in Hongwei Township, Nanan County, and affirmed the township's practice of making use of local scientific and technical personnel to accelerate its pace in eliminating poverty and becoming well-off. Hongwei Township was one of the poorest areas in Jinjiang Prefecture. In recent years, the township party committee, while conscientiously implementing the party's various rural policies, organized more than 70 people with agricultural techniques into an agricultural scientific force to bring their role into full play. As a result, the township has now basically lifted itself out of poverty. The average per capita income in the township this year is expected to top 340 yuan, more than twice that in 1980. [Excerpts] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 7 Dec 85 OW] /9274

FUJIAN GOVERNOR MEETS UN OFFICIAL--Governor Hu Ping met with Mr (Beckburst), director of the investment cooperation program under the UN Industrial Development Organization, at the Fushan International Exhibition garden on the afternoon of 26 November. Mr (Beckburst) is currently presiding over the Fujian provincial investment promotion meeting. Governor Hu Ping told Mr (Beckburst) that he hoped the investment promotion meeting would be a success. Mr (Beckburst) replied that he hoped for the same. [Text] [Fuzhou FUJIAN RIBAO in Chinese 27 Nov 85 p 1 OW] /9274

CSO: 4006/421

ECONOMIC PLANNING

HEBEI CPC SESSION DISCUSSES SEVENTH 5-YEAR PLAN

Shijiazhuang HEBEI RIBAO in Chinese 18 Oct 85 p 1

[Article by HEBEI RIBAO: "Get a Clear Understanding of the Situation, Clearly Define Our Aim and Strengthen Our Confidence: The Second Plenum (Enlarged) of the Third Hebei Provincial CPC Committee Holds Group Discussions"]

[Text] From 15 October till today, all the comrades who are attending the Second Plenum (Enlarged) of the Third Hebei Provincial CPC Committee conscientiously studied and grasped the essence of the spirit of the party's national congress and the Third and Fourth plenums of the Central Committee.

Correctly Understand the Situation and Keep a Cool Head

During the study and discussion, many comrades illustrated with vivid facts that the current economic situation is one of the best periods since the founding of the People's Republic. Everybody spoke glowingly of the five distinctive characteristics of the current economic situation: (1) Major proportional relationships are moving toward coordination. Comparing 1984 with 1980, the proportion of gross agricultural output value in gross industrial and agricultural output value and the proportion of gross light industrial output value in gross industrial output value all registered marked increases. The accumulation rate is becoming steady. The national economy began to develop continuously, steadily and coordinatedly, demonstrating the prospect of a good cycle. (2) There has been an overall upsurge in agricultural production. (3) The vitality and vigor of enterprises have been greatly strengthened. (4) Financial revenue registered relatively large increase. (5) Living standards are rising every year.

In speaking glowingly of the excellent situation, comrades attending the meeting pointed out that at present there are different kinds of confused ideas about the situation and questions concerning the ongoing reform, and thus we must unify people's thinking with the line, principle and policy formulated by the Central Committee and guide their activities onto the track guided by the Central Committee. Comrade Hu Guangyi [5170 1684 5030] of the Chengde Prefectural Party Committee said that confused ideas and misunderstanding about the situation often resulted from being unable to view questions from an overall point of view and generalizing the overall situation with one-sided observation of some local problems; in some cases it is due to the failure to see the

principal aspects of a question and mistaking secondary aspects for principal aspects; in other cases, it is due to the failure to view questions from the point of view of development, and thus treating new problems under the new situation in an isolated and static manner. He added that it is just because of these reasons that in conducting situation and policy education to the cadres and masses, we should guide them to combine the overall situation with the local situation, combine long-term goals with realities, distinguish principal aspects from secondary aspects and distinguish the contradictions that can hardly be avoided during the reform at the moment from age-old malpractices that have not been cleared up and the sabotaging activities in which some people take the advantage of the reform to benefit themselves.

Comrades attending the meeting are of the opinion that we should keep a cool head, especially when facing such an excellent situation, and pay full attention to certain new, unstable factors in current economic life. Three outstanding problems were named: (1) Investments in fixed assets are too large, especially with investments outside the budget increasing too sharply. (2) Enterprise economic results are low. (3) The agricultural base is still relatively weak and the capability to fight natural disasters is low. Besides, comrades from across the province reported the overburdening of peasants, which must be solved as soon as possible and otherwise would affect the excellent situation in the countryside.

Continue To Promote Overall and Steady Development of Agriculture

When discussing the proposal for the Seventh 5-Year Plan with regard to agriculture being the important base of the national economy and the strategic status of agriculture, comrades attending the meeting are of the opinion that through a series of reforms in the countryside in recent years, agriculture has been developing at high speed and the output volume of various agricultural and sideline products has increased greatly. This provided extremely important conditions for guaranteeing and pushing forward our economic and social development. The attendees, however, pointed out that we should not overestimate the rural economic situation and the degree of peasant wealth. In their opinion, some comrades now overestimate the rural economic situation and the degree of peasant wealth, which has brought about some harmful tendencies. One is that it leads to unreasonable collection of funds from peasants from all sides, thus overburdening them. Comrades from Wuan, Weixian, Daming, Qiuxian, Feixiang and other counties reported that at present there is a multitude of ways to impose contributions on peasants, with over 40 items and over 80 varieties at its height and an average of 21 yuan per person and 89.9 yuan per household. Another is that it encourages an unrealistic way of doing things and the setting of unrealistic development goals and growth speed. The two harmful tendencies directly hinder rural reform and affect steady development of the rural economy.

The participants strongly felt during discussions that neglecting agriculture will cause an "unstable seat" for economic construction as a whole. Comrade Wang Xiwen [3769 5045 2429] from Zanhuang said that it was correct that the county party committee paid attention to industry in recent years, but the agricultural sector was neglected to some extent. He added that the three sayings-- "no agriculture, no stability," "no industry, no wealth" and "no commerce, no

vitality," was a complete system with "stability" as the mainstay, and misunderstanding of it would bring about problems.

Strictly Control Scope of Investment in Fixed Assets

Comrades attending the meeting conscientiously discussed the question of controlling the scope of investment in fixed assets. They pointed out that the key to putting the scope of investment in fixed assets under control lies in deepening one's understanding. They analyzed the reasons for being unable to put the investment of fixed assets under control and initially cleared up some confused ideas: The first is "the theory of special cases." Comrade Bai Yunsheng [4101 0061 3932] of the party committee of Qinhuangdao City said that in the past they always emphasized that their city was an open city and a tourist area, so it was different from other areas and should be considered a "special case" in capital construction investment. Therefore they proposed more than 100 projects, but the provincial government approved only 7. Afterward they made decisions on their own to build eight beer factories, which resulted in losses. The second is the "theory of special consideration." Comrade Cao Hengchen [2580 1854 1820] of the party committee of Zhangjiakou Prefecture said that they used to use their poor economic base and late start as excuses and were of the opinion that control should be placed on those who advanced quickly and special consideration should be given to those who were in slow development. Now they feel that no matter poor base or solid base, early start or late start, on the question of controlling investment scope everyone should consider the overall situation and should not have the intention to seek "special consideration." The third is the "theory of disadvantage." Comrade Yue Qifeng [1471 1477 1496] of the party committee of Tangshan City said that they used to think that other cities acted swiftly and thus made it, but when they were about to try it, the central authorities put on the brakes; so they were always left behind and felt they were being placed in an "disadvantageous situation." But now they have realized that steady advance is a good policy for bringing prosperity to the country. The fourth is the "theory of no relevance." Comrade Zhao Huichen [6392 8396 5256] of the party committee of Langfang City said that they used to consider control a matter relevant only to the higher levels and it would be fine as long as the state's major projects were under control; and it would not matter much to the overall situation if local governments raised funds to start some projects and hence should not be controlled. Now they realized that if everyone competes to add new projects, it will certainly come to a huge number and lead to the loss of control.

During the study and discussion the attendees were also of the opinion that in putting the scope of investment in fixed assets under control an overall point of view must be acquired in the guiding ideas while the principle of seeking truth from facts, acting according to ability and making steady progress must be upheld in economic construction.

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AGGREGATE ECONOMIC DATA

BRIEFS

FUJIAN RURAL ENTERPRISES--During the period of the Sixth 5-Year Plan, Fujian's rural enterprises have achieved marked results. Total incomes of rural enterprises in the province have reached 18.32 billion yuan, with an average annual growth of 86 percent. Their net profits have reached 1.68 billion yuan, and taxes paid to the state have exceeded 500 million yuan. [Excerpts] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 30 Nov 85 OW] /12913

CSO: 4006/428

ECONOMIC MANAGEMENT

PRC PAPER ON DEVELOPMENT TREND OF TOWNSHIP ENTERPRISES

HK130641 Beijing RENMIN RIBAO in Chinese 6 Dec 85 p 2

[Article By Gao Hongbin [7559 7703 6333], Chen Jian [7155 0256], and Liu Yunzhou [0491 0336 3166]: "Prelude and Climax--Commenting on the Development Trend of Our Country's Township Enterprises in Recent Years"]

[Text]--A play usually begins with the prelude, and then develops to the climax. In recent years, the development of our country's town and township enterprises has unexpectedly reached the climax without a prelude.

The Sudden Climax

It is not an exaggeration to use the word "climax" to describe the situation in the development of our country's town and township enterprises. In 1984, there were altogether 6.06 million town and township enterprises in the whole country, five times the figure in 1978. The total income of these enterprises reached 53.7 billion yuan, 4.5 times the figure in 1978. The net profits of these enterprises reached 18.7 billion yuan, over three times the figure in 1978. The total output value of these enterprises increased by 40 percent over that in 1983, reaching over 170 billion yuan. Under the circumstances of the money market being tightened, this year, the total output value of the town and township enterprises has again increased greatly compared with last year, and the momentum of this increase is expected to continue.

From the vast open country to the distant mountainous areas, small enterprises have sprung up like mushrooms and have quickly become an important economic force in the rural economy as well as in the national economy as a whole. Between 1979 and 1984, the taxes paid to the state by the town and township enterprises amounted to over 23.2 billion yuan, accounting for over two-thirds of the total taxes paid by the rural areas of our country. In 1984, the town and township enterprises had to pay a total of 30.1 billion yuan in salaries. If we calculate on the basis of a rural population of 800 million, then the per capita rural income was 38 yuan. In 1984, the FeS produced by the town and township enterprises amounted to over 3.47 million yuan, accounting for 43.2 percent of our country's total output of FeS. The silk fabrics produced by the town and township enterprises amounted to over 290 million meters, accounting for 24.7 percent of our country's total output of silk fabrics. The output value of the building materials industry of the town and township enterprises accounted for 53 percent of the total output value of the building

materials industry of our country. And the foreign exchange earned by the town and township enterprises by exporting commodities and labor services amounted to 3 billion yuan. Between 1978 and 1984, the output of the coal industry of the town and township enterprises increased by 110 million tons, accounting for 72.4 percent of the increase in output of our country's coal industry in the corresponding period.

Another encouraging figure is: Last year, there were over 52 million people employed by the town and township enterprises in the whole country. According to the estimates of the relevant departments, over 10 million more people will be employed by the town and township enterprises in the whole country this year. This is a most significant achievement! Over 60 million peasants have entered the unfamiliar field of industry, beginning a new life. They are not only developing nature but also developing themselves. Once this new productive force enters the rural areas like a kind of hormone, not only do a large number of small enterprises and small towns spring up, but also a large number of new workers and entrepreneurs come out in the rural areas, which in turn take on a new look. This great achievement is something that figures cannot express.

The rise of the town and township enterprises is another miracle which can be compared to the miracle produced by the breakthrough made in our country's grain production output in recent years. To understand this is important, but it is more important to understand the logic of history embodied in it.

The Logic of History

There is a view which says: The development of the town and township enterprises in recent years is a blind and extreme economic phenomenon--the development has been too fast--so the development should be restricted. Is the fast development of the town and township enterprises in recent years a blind economic activity or a natural historical trend?

Some people say that the town and township enterprises have met a "golden opportunity." I think that this opinion is reasonable:

--It is a new period for carrying out reforms and invigorating the economy. The general implementation of the "great responsibility system" in the rural areas and the gradual abolition of the system of unified purchase and unified distribution have enabled the hundreds of millions of peasants to acquire more and more decision making power;

--Encouraged by the party and government policies which support the development of the town and township enterprises, more and more peasants have become bold enough to enter the non-agricultural production sector;

--Along with the progress of the rural and urban reforms, industry and agriculture, cities and rural areas, which operated in different orbits for many years in the past, have begun to develop into a historical unity;

It Is Only the Prelude

Generally speaking, the development of our country's rural areas is not sufficient and the development of the town and township enterprises is not too fast. In 1984, the output value of the town and township enterprises of Jiangsu, Zhejiang, Guangdong, Liaoning, Beijing, Shanghai, and some other areas, altogether eight provinces and cities, amounted to 96.1 billion yuan, which accounted for 56.3 percent of the total output value of the town and township enterprises of the whole country, whereas the output value of the town and township enterprises of Nei Monggol, Ningxia, Xinjiang, Gansu, Qinghai, and some other areas, altogether eight provinces and regions, only amounted to 7.1 billion yuan, which accounted for 4.2 percent of the total output value of the town and township enterprises of the whole country. There are still many "blank" areas in the whole country, where there are no town and township enterprises.

However, the present town and township enterprises have a lot of defects, but how can the peasants who have long been living in the rural areas with "their faces facing the yellow soil and backs facing the blue sky" build the town and township enterprises so perfectly when they open up a completely new area for the first time under very difficult conditions!

There are so many unsatisfactory phenomena, such as late information, blindly starting production, outdated equipment, insufficient technology...in the development of the town and township enterprises. Some town and township enterprises produce products of poor quality, some carry out their production in an incorrect way, some even substitute fakes for quality products and substandard products for quality products...and so on, but this is not the mainstream in the development of the town and township enterprises. Of course, the defects of the town and township enterprises can be criticized; however, it is more important to warmly help their development instead of making unwarranted charges against them and casting doubt on the policy which supports the development of the town and township enterprises.

This year, the state has adopted a series of measures to balance credit in order to strengthen macroeconomic control and ensure the coordinated development of the national economy. These are necessary measures which are required by the overall situation in our country. Tightening the money market has reduced the funds of the town and township enterprises and made the town and township enterprises pay more attention to the efficiency of the use of their funds and the economic results of their operations, so as to develop the spirit of self-reliance. Under the new circumstances, several counties in Jiangsu Province have proposed the slogan that the town and township enterprises should "improve product quality, technology, management, and economic results." In the first half of this year, the output value of the town and township enterprises in those counties increased by 81.14 percent, the income from sales increased by 85.61 percent, and the total profits increased by 90.39 percent compared with the figures for the corresponding period of last year.

In the new situation of the money market being tightened, the enterprises run by individual peasant households and the enterprises run by peasant households as a collective have developed very fast, which has also attracted people's attention. According to statistics for Henan Province, in the first half of this year, there were over 924,000 such enterprises, accounting for 92.5 percent of the total number of town and township enterprises in the whole province, and an increase of 228,000 such enterprises as compared with the corresponding period of last year. The output value of these enterprises amounted to 4.4 billion yuan, accounting for 55 percent of the total output value of the town and township enterprises. According to incomplete statistics for Hebei, Jiangsu, Shandong, Fujian, Jiangxi, and Shaanxi Provinces, in the first half of this year, the peasants spent more than 2.67 billion yuan of funds raised on the development of town and township enterprises.

The development of town and township enterprises has not ceased. Town and township enterprises first emerged in the early fifties. In the sixties and seventies, the development of town and township enterprises experienced a difficult time. Even today, the development of town and township enterprises still meets with difficulties, but town and township enterprises have never ceased developing even in the most difficult years--the development of town and township enterprises is an irreversible historical trend! At present, when market coordination is being expanded and the peasants are allowed to carry out their operations by themselves, any move to artificially restrict the development of town and township enterprises by administrative force is not only incorrect but also impossible. According to the estimates of the relevant departments, town and township enterprises will develop at a slow but firm pace in the second half of this year because of tightened credit. As with anything else, the development of town and township enterprises has its own leaps and steps. As far as its broad historical background is concerned, the development of town and township enterprises in recent years is only a colorful prelude. In order to realize the real climax of the development of town and township enterprises and to realize any good prospects for industrializing and urbanizing the rural areas, we must firmly adhere to the policy of "actively supporting, rationally planning, correctly guiding, and strongly administering" the development of town and township enterprises so as to push forward their development.

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ECONOMIC MANAGEMENT

IMPROVED ENTERPRISE OPERATION, MANAGEMENT URGED

Beijing RENMIN RIBAO in Chinese 27 Sept p 5

[Article by Sun Zhigang [1327 1807 0474]: "Improve Operation and Management; Increase 'Digestive Power' of Enterprises"]

[Text] This year the unit prices of mineral products, raw materials and natural resources have increased, causing enterprise expenditures to increase and the cost of products to rise again. Under these conditions is it "you increase and I increase," taking turns increasing the market selling prices of industrial and consumer prices; or is it improving operation and management, strengthening the enterprises' internal "digestive" power, making great efforts to lower costs and making possible fewer cost increases or no increases, or even decreases? Our choice ought to be the latter.

The quality of our country's industrial enterprises is poor; there are not a few enterprises whose operation and management level and technological level lag behind the advanced international and domestic levels. When the disparity is large then the potential is large, enabling us to look from the center for many ways to increase digestive power and lower product costs. To take the city of Wuhan as an example, from January to June of this year the city estimates that the costs of products of internal industrial enterprises and enterprises run by a lower level may be actually 3.01 percent higher than last year. The amount of increase is 69.52 million yuan. The reasons for the price increase, aside from higher prices of raw materials and energy and other objective factors, and poor operation and management, low efficiency, poor quality, large expenditures, high costs and other subjective factors, were an important aspect leading to cost increases. One of the factors currently influencing costs is the large consumption of raw materials and serious waste. For example, comparing the period from January to May of this year with the same period last year, consumption for every ton in an electric furnace rose by 65 kg, consumption for every ton in a converter increased 70 kg and the finishing rate for steel products consumed 4 kg more; just these three together increased costs by 1,248,000 yuan. A second factor is that the quality of products is low and the proportion of rejected products is high. For example, at a certain silicate plant in May the proportion of first grade products was only 68.6 percent and the proportion of rejected products was 23.7 percent. Due to the low quality and high rate of rejected products the plant lost 112,000 yuan in May. A third factor is that "double expenses" have increased and costs have

increased. According to the Municipal Chemical Bureau's statistics on 19 enterprises from January to May, the management of 11 had higher expenses than they did for the same period last year, workshop outlays for 9 had increased over the same period last year, and the two items together increased expenses by 1,738,000 yuan. A fourth factor is that there is an overstock of unsalable products, funds for finished products have increased greatly, the turnover of funds is slow, and more interest on loans is being paid. A fifth factor is that production efficiency is not high and the utilization ratio of equipment is low. For example, from January to May of this year at a certain cotton mill the operating ratio of cloth machinery was only 83.4 percent and the operating ratio for spun yarn machinery was only 71.6 percent, greatly adding to costs. A sixth factor is acting contrary to financial discipline, taking expenditures that do not belong to costs and spreading them into costs. From this it is apparent that only by improving the operation and management of enterprises and overcoming the harmful influences on costs by the aforementioned six aspects can the road to lowering costs become widened as we proceed. In Wuhan from January to June there were 113 enterprises belonging to the city that not only did not increase costs but for which costs actually fell 4.71 percent. The amount of the decrease was 20.42 million yuan, which is powerful evidence.

Recently the Wuhan Municipal Economic Committee reviewed enterprise experiences of increased digestive power and lower costs; to summarize, there were chiefly five aspects:

First, setting right an enterprise's internal reforms, perfecting operation and management and the contract responsibility system: This is an important link in increasing the vitality of enterprises and also a basic guarantee of improving an enterprise's internal digestive power. Enterprise operators must by means of a reformed spirit face difficulties squarely, be bold in opening up, completely analyze beneficial and harmful factors, hold their heads high and avoid shortcomings, make correct policy decisions and adopt concrete measures to lower costs by every possible means. Lowering costs and improving quality must be the major component of managing the contract responsibility system. It must not only include producing but also lowering consumption and conserving energy, improving quality and the proportion of products up to standard and graded products, decreasing the proportion of substandard products, and so on. It must break down layer after layer, including workshops, technical offices, teams and groups, and individuals, and it must also rigorously evaluate and create a basis for recording work-points and rewards. Actively promoting rewards for conserving raw materials and energy really strengthens transportation, reserves and the purchase of goods and materials. It permits the use of control management of every link, maintains stable amounts that can be used and stable amounts to examine. Conservation is rewarded and excess consumption is punished. The experiences of Wuhan's municipal industrial enterprises prove that without emphasizing the supporting reforms of an enterprise's internal operation and management system, improving the quality of an enterprise and increasing the digestive power cannot be discussed.

Second, promote modernized management that makes targeted costs and price engineering the core, and strengthen effective control of the cost formation process: This is the key to increasing an enterprise's internal digestive power. Raw materials and the consumption of materials and fuel account for approximately 80 percent of the cost of industrial products. The practice of many enterprises proves that carrying out targeted cost management and price engineering can greatly lower consumption and other expenditures of raw materials and fuel. Last year the Wuhan Rubber Plant made a profit of 1.1 million yuan. This year just a 20-percent rise in the price of raw materials reduced the profit by 600,000 yuan. In order to improve its internal digestive power, the plant promoted targeted cost management, set a cost target based on the product's workshop, and regarded it as the economic contract responsibility system's primary basis for evaluating rewards and punishments. It will promote the economical use of numerous workers, reduce consumption and stem losses and waste. From January to May of this year, 771 tons of coal were conserved, 59,800 kilowatts of electricity were conserved and the cost of a bicycle tire was reduced from the original cost of 5.8 yuan to 5.54 yuan. The price of power vehicle tires was reduced from the original price of 14 yuan to 13.5 yuan, attaining the national advanced level. From January to May the comparable cost of products declined 9 percent; the amount of the decrease was 930,000 yuan, realizing a profit of 1.11 million yuan and exceeding the total profit for all of last year.

Third, encourage the development of new products, adjust the product mix according to market demand, expand production volumes of goods in demand according to sales: This is an important measure to increase an enterprise's digestive power. In the past the Central China Lamp Plant produced mast head lights, but because the products did not meet demand, the plant lost money for the last 2 years. Since last year the plant has strongly emphasized the development of new products and adjusted the product mix. At present it is already able to produce construction and mining lamps and lamps of different models, totalling 140 kinds that are selling well in more than 10 provinces and cities in the country. The output value and sales revenue for the first 5 months of this year is more than double that of the same period last year. The price of comparable products declined by 4.3 percent. In the same period last year there was a loss of 74,000 yuan, but this year there was a profit of 36,000 yuan. With one stroke it dropped the hat of losing money.

Fourth, accelerate capital turnover and reduce capital use: This is another effective measure to increase the digestive power of enterprises. In the past we lacked the marketplace concept, denied the time cost of capital and ignored the multiplication rule of capital in motion. The faster the turnover of capital, the less time it is tied up and the greater the efficiency. Conversely, as expenditures increase, costs will rise. Last year at Wuhan's two state cotton plants, because a portion of the products were unsalable and overstocked, capital turnover was ineffective, and loans of circulating capital increased on a large scale. At the end of last year the credit high reached 55.29 million yuan and the expenditure for interest was 3.2 million yuan, constituting 3.2 percent of total costs. Those plants unearthed the potential of capital, adjusted the product mix, approved a strict financial

plan for revenues and expenditures, and accelerated capital turnover. Results are already apparent. Loans have decreased month by month, from 51.12 million yuan in January to 48.42 million yuan in February to 43 million yuan in March to 39.30 million yuan in April. The total amount of the reduced interest cost is 174,000 million yuan. From this it is apparent that learning to manage and use money is a necessary quality of modern entrepreneurs.

Fifth, actively introduce advanced technology, accelerate the transformation of technology, and promote technological progress: This is a fundamental measure for increasing an enterprise's digestive power. Most of the raw materials that the Wuhan Refrigerator Plant requires are containerized steel plate, brass pipes, seamless steel tubes and other goods and materials in great demand, which substantially raises prices. With the help of the Chinese Industrial Academy, this plant improved its technology and adopted the new technology of highly efficient heat-transmitting pipes. On the premise of guaranteed quality, it enabled the 480,000 kilocalorie spiral rods that controlled the amount of cold to control the refrigerator. Each unit uses 780 kg less copper material, saving 8.190 yuan. This alone can reduce costs by nearly 1 million yuan a year. In just the first 5 months of this year the Wuhan Steel co, due to the influence of increased transportation expenses of ore and fuel and other factors, had increased costs that reached 60.66 million yuan. Besides promoting targeted cost management and perfecting the operation of the contract responsibility system, this company emphasized the introduction of technology and became seriously engaged in transforming technology, thereby improving its economic efficiency. From January to May of this year, after adjusting for market increases and overspending factors, the cost of comparable products actually fell by 0.17 percent when compared to last year. The amount of the decrease was 1.3 million yuan.

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ECONOMIC MANAGEMENT

LEADER URGES STRENGTHENED MANAGEMENT OF INDUSTRY, COMMERCE

Hangzhou ZHEJIANG RIBAO in Chinese 10 Sept 85 p 1

[Article: "Shen Zulun Points Out at Conference of All Provincial, City and Prefecture Directors of the Industry and Commerce Administrative Bureau: Reform Is Developing Toward Planned Commodity Economy Model; New System Replacing Old Must Strengthen Industry and Commerce Administrative Management"]

[Text] Vice Governor Shen Zulun [3088 4371 0243] several days ago spoke about the situation of the reform of the economic system and the problem of strengthening macroeconomic administration.

Shen Zulun pointed out at the Conference of All Provincial, City and Prefecture Directors of the Industry and Commerce Administrative Bureau, which just concluded, that the current reform situation is very good. Our economy is squarely positioned toward the development of a planned commodity economy. Due to the expansion of guidance planning, the allocation of funds by enterprises themselves is increasing, regulated goods and services outside the plan are increasing, and prices fluctuating with the market and commodities with negotiated prices are expanding, thereby strengthening enterprise vitality. Wage distribution and bonuses tied to economic returns adopted various forms, which contributes to arousing the enthusiasm of workers and promoting production. The second step of rural reform is a large one. The mechanisms of the marketplace are drawn into the village. Farmers are turning from producing for the state plan to producing for the needs of the marketplace. Through market mechanisms millions upon millions of producers are continuously changing the circumstances of production to suit the needs of the marketplace. The adjustment of rural industrial composition has obtained notable results. The assignment of early rice orders for the whole province is basically complete, the price of grain is stable and grain reserves have reached the highest levels in history. The situation of all the industrial and agricultural industries is very good, while the revenue situation has succeeded beyond expectations. A model for a planned commodity economy is now emerging. This is our economy's most important and influential change, and it is already spurring an increase of new vitality in the urban and rural economies. This kind of tremendous change unavoidably brings with it a variety of new problems that can only be solved through development of a planned commodity economy. If current

problems are seen as overly serious and the old system's many kinds of abuses are not remembered, as if the reforms had made a mess of things, it would be putting the cart before the horse.

Shen Zulun said that the thinking that deems it unnecessary to strengthen management in order to stimulate the economy is unrealistic. The more the microeconomy is enlivened, the more the macroeconomy's regulation and control measures must be strengthened, including enhancing necessary state intervention. Only by establishing a normal economic order and corresponding stable production and marketing relationships can commodity production and commodity exchange proceed smoothly. At present some commodity bases do not perform the purchase and sale obligations stipulated in contracts, affecting important export products by forcing up prices and causing a rush to buy, or cutting prices and creating competition to sell, bringing about havoc in production and affecting the products of scarce natural resources by causing competition to buy in every direction, which leads to the ruin of natural resources. There are also trademark forgeries, bogus and mixed commodities and other economic activities in which negative phenomena and every sort of criminal economic activity takes place, all of which requires our strengthening macroeconomic management to solve it. Macroeconomic management mainly depends on two things: economic levers and an economic legal system. Along with economic reforms, opening up and enlivening, we must gradually establish economic management methods that are mutually supportive of these things, perfect various economic tactics, strengthen the economic legal system and learn to use economic tactics and legal measures to manage the economy. These are important tasks of reform. We are now, however, in the process of replacing the old system with the new, and the perfection of economic measures and strengthening of the economic legal system are another process. In the period of "the new crop is still in harvest and the old is consumed," an understanding that fits the actual circumstances is needed for the action and significance of administrative intervention. This analogy can be drawn: if economic levers and an economic legal system were two legs, and the two legs were still rather weak in walking, then administrative intervention would be a walking stick that must not be discarded at this stage. He said that over the entire period of the Seventh 5-Year Plan, we must energetically strengthen the work of the Industry and Commerce Administrative departments. In the economic management of socialism, the necessary administrative measures are indispensable from beginning to end. During the period of reform we must still emphasize that strengthening the necessary administrative measures naturally has the characteristics of a transition. Precisely because of the future change toward not principally applying administrative measures to manage the economy, there is a great need now to use this "transitional" walking stick. This does not imply a possible return to the old road, but rather it is to guarantee that the reform enjoys an orderly progress and is helpful in exploring the new road.

Shen Zulun emphasized that applying administrative measures still requires respecting the rule of the commodity economy, and it cannot harm the interests of the vast majority of commodity producers. Experience shows that only by adhering to these two premises can we make the most of using administrative measures.

Shen Zulun also spoke about how Industry and Commerce Administrative departments must continue to concentrate on developing, building, serving and managing markets. Not only should there be every kind of commodity market, including specialized, comprehensive, wholesale, retail, consumer goods and production materials markets, but every type of support market should gradually be developed, such as scientific and technological, capital, labor services and other markets. This will allow the market to fulfill its role in regulating production and supply and demand.

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ECONOMIC MANAGEMENT

REPORT ON UNREASONABLE COLLECTION OF FUNDS IN SHENYANG

Beijing RENMIN RIBAO in Chinese 15 Nov 85 p 2

[Article by Liu Guosheng [0491 0948 0524]: "Unreasonable Collection of Funds Adds Heavy Burdens to Enterprises--An Investigation of Shenyang"]

[Text] "Multifarious and endless collection of funds is too much of a burden to enterprises!" This is the strong voice this reporter heard in Shenyang.

According to incomplete statistics by the Shenyang Audit Bureau on 150 municipal and district level enterprises, from the beginning of last year to the past June, there were 78 projects involving imposed apportion of donations, fundraising and contributions, of which 13 were from departments higher than province level and 65 from departments of municipal level. Statistics on 10 enterprises show that these enterprises last year handed out 540,250 yuan to unreasonable fund collectors, and in the first half of this year they were burdened with imposed donations amounting to as much as 370,421 yuan (not including money raised for educational funds for middle and primary schools).

In initiating public welfare work, some departments frequently resort to social fundraising and apportion of donations. By imitating one another, they have made it a common practice. In raising funds for the construction of a youth palace, the city asked youth under the age of 28 from all industrial enterprises to donate 10 yuan per person. To sponsor the ninth sports games of public security personnel, the city's public security bureau asked each enterprise to "donate" 8 yuan for each economic policeman. To set up a recreational center for veteran cadres, the Organization Department of the Shenhe District Party Committee collected a total of 400,000 yuan from the district's 27 enterprises for the construction of a building. In expanding a stadium, the Tiexi District also collected money from large factories in this district and the smelter alone gave 15,000 yuan.

"Contribution" has become a fad. According to an investigation by the Shenyang Bureau of Finance of 16 state-owned enterprises, from the beginning of last year to last May, there were 43 items of contributions. For instance, on the occasions of celebrating the winning of the championship by the Liaoning team in the National Soccer Association Cup Tournament, electing Liaoning's "10 Best Athletes," televising the Spring Festival show by the Central Television Station, joint televising of a television drama series by the Liaoning Provincial

Television Station and the Shenyang Television Station, the city seniors' volleyball game, the Second National Workers' Games and so on, all the enterprises were asked to contribute funds. The Sino-Czechoslovakia Friendship Factory paid 50,000 yuan in contributions last year and over 20,000 yuan during the first half of this year.

Imposed apportion of donations, fundraising, contributions and unreasonable collection of funds and imposing fines have exceeded the capacity of enterprises to sustain. The Shenyang Oil Chemical Plant alone has to give away more than 400,000 yuan worth of various kinds of imposed donations a year. Even though objecting to such unreasonable collection of funds, most enterprises dare not to report to higher authorities, nor can they hold out against it. Because of this heavy burden, enterprises have to transfer such extra expenses into costs and other special-purpose items. According to the investigation by the Shenyang Finance Bureau, of the 16 state-owned industrial enterprises, from the beginning of last year to last May, these enterprises shouldered unreasonable apportion of contributions totaling 397,000 yuan, of which 151,000 yuan were classified as costs and 246,000 yuan as special-purpose funds.

How were the collected funds used? According to an investigation by departments concerned of 35 major projects involving apportion of contributions, 5.07 million yuan were raised, of which 3.76 million yuan, accounting for 74 percent of the total, were used in those projects. The rest 1.31 million yuan, accounting for 26 percent of the total, were mostly wasted and squandered by the collecting units. The city's Bureau of Machinery and Electricity set up a human resources company last year and raised 64,000 yuan from enterprises, of which 4,000 yuan were spent on radio, cups and other items. The city's Performance Corporation collected 11,500 yuan from 14 enterprises in August of last year in its Art Festival fundraising campaign. The corporation spent almost half of the sum on banquets, gifts, travel and dancing parties, in addition to paying a 10-percent commission to the individuals who collected the money.

"Hooking" various kinds of charges and especially fines with economic results is also a major cause for abusive charging and fining. The units who have the jurisdiction to charge and impose fines usually have their funds allotted in the financial budget. If they are allowed to deduct a percentage from the charges and fines they collect, it will not only cause the wasting of money, but also encourage them to raise fees at will and impose more fines in order to get more deduction.

The harm of imposed apportion of contributions cannot be overestimated, so leading bodies should take the initiative to stop it as soon as possible.

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ECONOMIC MANAGEMENT

ZHEJIANG INDUSTRIES MAINTAIN MOMENTUM DURING REFORM

Hangzhou ZHEJIANG RIBAO in Chinese 10 Oct 85 p 2

[Article by Gong Jiao [1362 5754]: "Zhejiang Industrial Production Continues To Advance During Reform"]

[Text] Since the beginning of this year, our province as a whole has kept a good momentum of continuous, steady and coordinated development. From January to August, industrial output value was 28.7 billion yuan, an increase of 39 percent over the same period of last year. Energy production, communications and transportation as well as post and telecommunications service, which are directly related to industrial production, have all fulfilled their quotas and thus guaranteed industrial production. The growth in industrial production provided an important material basis for the development of our province's economy and the construction of socialist modernization in our province.

This year, Zhejiang's industrial production has the following characteristics:

1. Production is growing steadily. Because of a relatively high growth rate in industrial production at the end of last year, this year saw a relatively high starting point at the beginning of the year. Since May, the growth rate has slowed somewhat. This has been one of the best periods in recent years for relatively smooth and steady growth.
2. The supply of products cannot meet demand. Industrial products have been in active circulation because of vigorous production and marketing. Industrial departments basically have no large quantity of unsalable or overstocked goods. Several major products, such as televisions, refrigerators, and electric fans, increased severalfold; washing machines, wool fabrics, chemical fabrics, leather shoes, beer, canned foodstuffs and dairy products increased at least 40 percent. Light industry has kept a faster pace than heavy industry throughout this period. The market has been filled with a dazzling array of consumer industrial products and an unprecedentedly prosperous scene has appeared. Even so, gross demands still exceeded gross supply in the market.
3. The proportion of collectively owned industry has increased rapidly. Beginning in April, collectively owned industry exceeded state-owned

industry in the absolute amount of total output value and the proportion of the output value of collectively owned industry in the province's total industrial output value increased from 47 percent at the end of last year to 54 percent at present. The rapid development of collectively owned industry, and especially the rise of rural and small town industry, has changed the structure of industrial ownership, brought new vital force to the rural economy and symbolizes that our province's rural areas have started getting rid of the traditional agricultural structure and transforming into comparatively large-scale commodity production.

4. Tax profits, output value and revenue have basically kept proportional growth rates. From January to August, state-owned enterprises within the budget throughout our province saw an increase of 16.6 percent in total industrial output value, 21.5 percent in sales income and 19.4 percent in tax profits over the same period of last year, while during the same period the province's revenue far exceeded any of the above-mentioned figures. Under the current situation in which the prices of industrial raw materials and auxiliary materials are increasing, industrial production still keeps certain economic results and plays a decisive role in the province's steady personal income growth and government revenue increase.

This satisfactory situation of our province's industrial production appeared this year because the economic system reform with cities as centers played an important promoting role. It is also an inevitable result of the deepening of the reform. The reform broadened people's field of vision, broke up the long-existing notion of small-scale peasant economy and changed conservative customs. It made us proceed from actual conditions, make full use of advantages and avoid disadvantages and bring into full play our own superiority. Thus, it made it possible for us to establish the strategic principle of "two reforms and two openings" (economic system reform and technological reform; opening up at home and abroad and opening up resources in the ocean, mountainous areas and personnel), utilize the environment created by reform and the open door policy, rely on both our provincial market and markets outside our province and mount the economic "stage" of our country. In industrial development, we adopted the method of four wheels turning together, that is, state-owned enterprises, collectively owned and rural and small town as well as private enterprises all participate. State-owned enterprises, collectively owned and rural and small town enterprises, closely integrated, will learn from one another's strong points and offset weaknesses, promote one another, merge into an organic whole and continue to explore new paths for Zhejiang's industrial takeoff.

In the course of reform enterprises' self-developing capability was strengthened to some extent. Under the presupposition of persisting in carrying out the socialist planned commodity economy, bringing into full play the auxiliary role of market adjustment and establishing a socialist economic system that has Chinese characteristics and is full of vitality, various types of industrial enterprises will be allowed to keep the initiative in their own hands with regard to economic activities. Beginning in 1984, the provincial party committee and provincial government began to issue an array of documents concerning reinvigorating urban and rural collectively owned industries and expanding state-owned industrial enterprises' rights of

self-determination. These changes in economic and managerial systems made it possible for industrial enterprises to set up a unified and relatively powerful productive commanding system, improve qualities and acquire flexibility in management. The factory director responsibility system has been tried in some factories on the basis of the overall reorganization of enterprises and reshuffling enterprise leading bodies which were carried out in the past few years. More than 500 state-owned enterprises throughout the province have undertaken this experiment. All in all, the development is healthy.

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ECONOMIC MANAGEMENT

SHANXI ENCOURAGES RURAL, URBAN COMMERCIAL INTERCHANGE

Taiyuan SHANXI RIBAO in Chinese 23 Oct 85 p 1

[Article by SHANXI RIBAO: "Provincial Government Asks Supply and Marketing Cooperatives To Go All Out To Bring Agricultural Products to Cities and Industrial Products to the Countryside in a Timely Manner"]

[Text] According to the report of MARKET INFORMATION, the leading comrades of the provincial government recently proposed that the supply and marketing cooperatives of all levels actively participate in marketing activities, breaking up boundaries between cities and the rural area, boldly go ahead in management to enliven material interchange between cities and the countryside.

The 4 months from now till the Spring Festival will be a busy marketing season and therefore it is very important to make good arrangements for market supply. The supply and marketing cooperatives of all levels should plunge into action, organize the shipment of industrial products to the countryside and agricultural products to the cities, and open up a new path for invigorating the market. In organizing shipment of agricultural products into the cities, the supply and marketing cooperatives should place emphasis on meeting the urgent needs of the people. They can have a free hand in the management of grains, oils, meats, eggs and vegetables, encourage and organize peasants to go into town to sell these products at negotiated prices and create conditions and make it convenient for them to go into town. They should advocate and support peasants' growing more oil-bearing crops and raising sheep and rabbits and other domestic animals.

Whether the market is flourishing or not directly relates to the national economy and the people's standard of living, stability and unity and the construction of the four modernizations as a whole. State-owned commercial departments and the supply and marketing cooperatives of all levels should collaborate with each other and do a good job of market adjustment and market management.

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ECONOMIC MANAGEMENT

STRENGTHEN HORIZONTAL ECONOMIC TIES TO DEVELOP SICHUAN

Chengdu SICHUAN RIBAO in Chinese 15 Oct 85 p 2

[Article by Jiang Zeting [1203 3419 0080]: "Develop Horizontal Economic Relations and Speed Up Economic Development of Sichuan"]

[Text] Developing horizontal economic contacts is an important step in breaking through economic isolation and also an inevitable trend of the economic system reform. It plays an active role in invigorating the economy and speeding up the construction of the "four modernizations." Any enterprise or region's economy without exception has its own advantages and weakness. But through horizontal economic contacts they can absorb each other's strongpoints and make up for their own shortcomings and open up a path toward coordinated economic development.

In recent years, our province benefited greatly from developing horizontal economic contacts and technological coordination. Over the past 30-odd years since liberation, our province has established an industrial system of considerable scale; and furthermore we have sufficient labor force and a vast market of 100 million people; these make up Sichuan's advantages in economic development. But Sichuan's economy also has its weakness: for instance, economic development is still imbalanced, some potential still needs to be tapped and there are still some poor and backward areas and underdeveloped fields, etc. Vigorously developing horizontal economic relations both inside and outside the province; adopt others' strongpoints to make up for one's own shortcomings; add to one's strongpoints and discard one's shortcomings; this is an exploratory economic task facing our province at present. We must make a good job of it and strive for marked success.

How can we do a good job in the task? In view of Sichuan's situation, I think we should stress these four aspects:

1. Based on existing industrial strength, develop horizontal economic relations to promote our province's industrial progress. As a result of more than 30 years of construction, and especially due to the fact that the state made a large amount of investment in the construction of the "third front," Sichuan now has acquired an industrial system with relatively complete branches, with its fixed assets ranking second in the whole country. Sichuan's machine-building, electronics, ordnance and metallurgical and other industries occupy

an important place in the country and the province also saw the emergence of a group of central economic cities and industrial bases such as Chongqing, Chengdu, Zigong and Dukou. We should make full use of this advantage, on the one hand, send our products and technology out of the province and, on the other hand, bring in advanced technology and managerial experience, transform and improve our province's industry in order to strengthen adaptability and competitiveness. Within the province, we should attach special importance to giving full play to the role of central cities and industrial bases, let them project their influence to the vast rural areas and cities and towns, widely establish interrelated, mutually complementary horizontal economic networks to bring along the whole province to raise the industrial level on a general basis.

2. Accelerate the pace of military-civilian combination. The state has always viewed our province as a strategic rear and hence a key construction area. Over the years many of ordnance enterprises and their auxiliary enterprises were set up. These enterprises generally boast relatively strong technology and equipment and some of them are nationally first-rated. But because of the complication of the economic system, these arms enterprises are strongly self-sealed. In recent years, the closeness of the ordnance industry was broken through to some extent, but as a whole its comprehensive capabilities, especially scientific research capabilities, have not been fully tapped. Therefore, the ordnance industry should widely unfold coordination and integration, on the one hand, transfer military industrial technology to civilian industry and, on the other hand, do a good job of technological import and transformation and expand its own strength. Furthermore, it should continuously and selectively develop new technology and open up new industries to make the ordnance industry truly become an important force in driving Sichuan's economic development.

3. Attach importance to the opening up and utilization of resources. Sichuan covers a vast territory and is rich in resources. Over 150 varieties of minerals have been discovered to be of industrial value and among them the deposits of 78 varieties have been verified. The deposits of 28 varieties of the verified are among the greatest in the country, among which the deposits of 10 varieties, including vanadium and titanium, rank first nationally. But because of long-time isolation, plus funds, technology and other causes, most of the resources have yet to be transformed into commodity advantage. In order to bring into full play the advantage of this kind of resources, it is utterly necessary to fling open the door to the rest of the country and especially some coastal regions in the east. We should use various forms of cooperation, such as integration, coordination, joint venture and compensation trade, to attract funds, advanced technology and managerial experience from elsewhere to our province, in order to speed up the opening up and utilization of resources and to promote common prosperity.

4. Develop and open up famous and high-quality products. In a sense, an enterprise's vitality is decided by its products' vitality and projection power. Sichuan boasts a large group of famous and fine-quality products which are popular among consumers and among them some even enjoy good reputation in the international market. This advantage in products is a favorable condition for developing horizontal economic relations, and quite a few enterprises and regions

outside Sichuan have already or are planning to cooperate with us. We should selectively develop economic integration with famous-brand, fine-quality and new products as the leaders. We should, as Chongqing Tianfu Cola Beverage Industrial Corp did, widely establish various transindustrial, transregional complexes in accordance with the principle of being rational in economic structure and feasible in technology to develop and open up famous and fine-quality products, give full play to the projection role of fine-quality, famous-brand and new products, and distribute them more widely.

In developing horizontal economic relations, we should uphold the principle of seeking truth from facts and observing objective law. But at the same time we should also pay attention to the principle of volunteer participation, mutual benefit and joint development. This is a key question concerning the success of horizontal economic relations. Besides, there should be diversified forms: it can be closely integrated, or just loosely connected; it can be long-term, just short-term, or even single-deal cooperation; it can be an integration within a region and an industry, or transregional and transindustrial; it can be a production, marketing or other singular integration, or an "integrated process" of scientific research, production and marketing; it can be a joint venture, or cooperation and compensation trade, etc. In a word, as long as it benefits the development of production and invigorating the economy, any form can be explored and tested. Now that developing horizontal economic relations is an important subject of the economic system reform and it must rely on the reform to guarantee its smooth progress, therefore expanding enterprise self-determination power and truly handing over the power of production and management to the enterprises that belongs to the enterprises and hence make enterprises bring into full play their enthusiasm, initiative and creativity in horizontal economic activities is what we must continue to strive for. Governments of all levels should change their stand, turn themselves from the "mother-in-law" that governs enterprises to the "public servant" who serves enterprises, go deep into the grassroots to conduct research and investigation and really help enterprises solve various kinds of problems. Meanwhile, governments of all levels should also formulate laws and preferential policies within their jurisdiction, use price, tax, credit and other economic levers to guarantee and promote the development of horizontal economic relations. Sichuan in ancient times was such an isolated region that it was described as "having no contact with the outside world." Over a long period of time, our fossilized mode of economic construction put Sichuan into more serious economic isolation. Walking out of the isolation and sticking out our antennas, we should sincerely invite guests from anyplace under heaven to widely develop diversified economic and technological integration to make more contributions to revitalizing Sichuan's economy.

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ECONOMIC MANAGEMENT

QUESTIONS ON CONTROLLING INVESTMENT SCALE OF FIXED ASSETS

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 14 Nov 85 p 2

[Article by Zhou Daojiong [6650 6670 3518] and Tian Chunsheng [3944 2729 3832]:
"Several Questions with Regard to Controlling Investment Scale of Fixed
Assets"]

[Text] Uphold Basic Balance Between Social Demand and Supply

In recent years, our national economy achieved continuous, steady and coordinated development and great progress was also made in fixed-assets investment. The problem, however, is that since last year, investment scale has been expanding day by day and exceeded the level that the state's financial and material power can support. The CPC Central Committee in its proposal with regard to formulating the Seventh 5-Year Plan pointed out that upholding a basic balance between gross social demand and gross social supply, determining rational investment scale of fixed assets in accordance with national strength, striking a balance between finance, credits, materials and foreign exchange are fundamental conditions to guarantee coordinated economic proportional relationships, stable economic life and smooth progress of the ongoing economic system reform. Our country and other socialist countries' construction experiences have time and again indicated: construction scope must fit each country's financial and material power. If construction scope goes beyond a country's national strength, it will bring about an unstable economy, and even proportional imbalance and a chaotic and retrogressive economy. Likewise, it will affect the stability of the political situation. Only when investment scope and the country's national strength fit each other can the economy achieve steady, continuous and coordinated development. Since the founding of the People's Republic, there have been three major expansions in investment scope in our economic construction. Although the three expansions had different causes and circumstances, they all resulted in a major depression right after a major expansion, and the sudden rises and falls brought grave and incalculable losses to the national economy. These historical lessons are extremely profound and we can never afford to repeat them.

Cut Down Overexpanded Investment Scope

The brilliant achievements during the Sixth 5-Year Plan would not have been possible if without rational arrangements and controlling of investment scope.

In 1979, the Central Committee put forward the principle of readjusting, restructuring, consolidating and improving the national economy. In 1980, the accumulation rate dropped from 34.6 percent in the previous year to 31.6 percent, but investment scope was still too large. In 1980, the government made the decision to further carry out the readjustment of the national economy and made it clear that in order to carry out the "four-point" principle, readjustment was the key and furthermore compressing capital construction the key to readjustment. In 1981, investment in capital construction was cut down 20 percent and the accumulation rate dropped to 28.5 percent. At that time, some comrades thought the readjustment was overdone. But what were the facts? It was just because the Central Committee was firmly determined to cut down the overexpanded investment scope that good results were registered the same year. The consignment rate of fixed assets of 1981 reached 86.6 percent, showing a comparatively good performance level in history. From 1981 to 1983, despite a brief resurrection of overexpansion, in general the 3 years saw a basic compatibility between construction scope and the national strength. Besides, vigorous measures were taken to tackle such bottlenecks of the economy as energy, communications, raw materials and light industry. These efforts have resulted in a more and more rational investment structure and finally extricated the national economy from a predicament and led it onto a healthy development track.

In 1984 and 1985, investment scope again overexpanded. However, because of the good production situation and some measures taken, the contradictions brought about by the investment scope overexpansion have not become acute. But this kind of high investment and high accumulation are beyond our country's national strength to continue to sustain. If we manage to continue this trend, it is bound to affect the smooth progress of our economic system reform.

Several Questions That Need To Be Solved Appropriately

In its proposal concerning the Seventh 5-Year Plan, the Central Committee proposed that the investment scope of fixed assets in 1986 and 1987 be roughly maintained at the level of 1985; and that under the condition of putting the investment scope of fixed assets under control, the construction of energy, transport and communications, raw materials and other basic industries and basic facilities be strengthened. In order to carry out this important decision of the Central Committee, we are of the opinion that attention must be given to appropriately solving the following questions:

1. Maintaining the investment scope of 1985 means annual investment scope, not the gross scope under construction. Annual investment scope is the investment volume the state actually completed during the year. It reflects the labor power, financial power and material power the state contributes in a year. Gross scope under construction means the total investment volume needed to complete all the projects under construction of the year and it reflects the labor power, financial power and material power the state contributes during a certain period of time. When annual construction scope surpasses the national strength of the year, it is manifested in oversized annual scope; when gross scope under construction surpasses the national strength of a certain period of time, it is manifested in a far-flung front the state is actually

engaged in. The main sign of an overextended front is too many projects being constructed simultaneously, which has much more far-reaching influence on the national economy than an oversized annual scope. At present, on the question of overexpanded investment scope, not only is the annual scope oversized, but the gross scope under construction is even more oversized. Statistics show that the scope of capital construction under construction at the end of 1984 doubled that of 5 years earlier. And to complete all these projects under construction, it will almost have to use up the total capital construction investment for the Seventh 5-Year Plan. If we do not compress the gross scope of capital construction under construction and slash some projects, and if we continue to ever extend the front while there is no way to increase annual investment, we can only scatter "powdered pepper" over the numerous projects, hold each other back and leave many projects half-finished over a long period of time. In this way, how can we change the passive situation in which the front is stretched thin? How can we raise the benefit of investment? We must make it clear that annual investment scope should maintain the original level and that instead of maintaining the gross scope under construction, we must compress it.

2. With regard to the question of readjusting investment structure, the proposal concerning the Seventh 5-Year Plan clearly stipulates that under the condition that the annual investment scope of 1986 and 1987 maintains the original level, the readjustment of investment structure must be combined with the compression of gross scope under construction. Only by being determined to conscientiously clear up the projects under construction, abandon or postpone the construction of some projects which are needed but show unsatisfactory economic results or do not have necessary construction and production conditions, and at the same time adopt resolute measures to slash some new projects that belong to the above-mentioned types and cut down the gross scope under construction, can we make room for energy, transport and communications, raw material and other key projects and guarantee their funds, material and construction.

Only through the combination of abandonment and selection can we reform the irrational tendency in current investment structure. In readjusting the investment structure, we should also appropriately compress new extension projects and increase investment projects that can be truly used in technological transformation in existing enterprises. Over the past few years, less than 40 percent of fixed-assets investment was used in technological transformation, which is obviously too low. The proportion used in saving energy resources and raw materials, improving industrial structure and raising product quality was even lower. This situation is obviously unfavorable to the implementation of the principle of fully utilizing production potential of existing enterprises.

3. Building up basic facilities and basic work is the key to guarantee smooth progress of the national economy. The contradiction at present lies in insufficient financial power of the government. We should adopt the principle of appropriately concentrating funds and transferring projects to lower levels. On the one hand, while expanding enterprises' profits after taxes, we should appropriately increase the central government's revenue, or adopt other ways to concentrate necessary financial power, in order to meet the needs of key

construction projects. On the other hand, we should guide different regions, departments and enterprises to put still more investment in key construction.

4. We should strengthen the role of overall adjustment toward controlling investment scope. To guarantee the basic balance between gross social demands and gross social supply and achieve compatability between investment scope and the national strength, there are two keys: one is to strengthen planned adjustment and change the current situation in which the state plan cares only about projects within the budget, not beyond the budget, only projects within the plan, not outside the plan, only state-owned projects, not other types of ownerships. Only by mastering the gross demands of the whole society for fixed assets investment and making a good arrangement of the investment structure that suits objective needs, can we strike a balance between finance, credits, materials and foreign exchange as well as guarantee coordinated proportional economic relations. Another key is to strengthen fund adjustment. We should strengthen the management of self-raised funds outside the budget and carry out the principle of examination before deposit, deposit before approval and approval before withdrawal for use. Meanwhile, we should improve the management of bank credits, change the current practice of issuing credits for fixed-assets investment by all banks. Various specialized banks' business scope can overlap to some extent, but basic business scope should not be upset and mixed up. Funds for capital construction and large-scale technological transformation should be handled by the Construction Bank in a centralized manner. The Construction Bank should, under the prerequisite of implementing the state's plans for fixed-assets investment and financial and credit, make full use of the lever role of credits and interest rate to strive for better management and more flexible utilization of funds, and raise the utilization benefit of credit funds. Planning and funds are the head and tail of the national economy, and putting the two ends under control will benefit the control and invigorating of the overall situation.

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ECONOMIC MANAGEMENT

REORGANIZATION OF HEBEI COOPERATIVES SUCCEEDS

Shijiazhuang HEBEI RIBAO in Chinese 8 Oct 85 p 1

[Report by HEBEI RIBAO correspondent: "Combining Reorganization and Reform and Raising Overall Enterprise Quality: 95.6 Percent of Our Province's Reorganized Supply and Marketing Cooperative System Enterprises Meet Standards"]

[Text] Beginning 1982, Hebei's supply and marketing cooperative system persisted in combining enterprise reorganization and system reform, vigorously carried out the reorganization in both vertical and horizontal organizational systems, and acquired good results. Up to the end of last August, of 1,055 enterprises in the supply and marketing cooperative system at and above the county level, 1,049, accounting for 99.4 percent, passed examination. Including grassroots enterprises, 3,817 passed examination, accounting for 95.6 percent of all enterprises. In January 1985, the Ministry of Commerce awarded our provincial supply and marketing cooperative the silk banner of "Achieving Marked Progress in Enterprise Reorganization."

In the course of reform, supply and marketing cooperatives of all levels persisted in combining leading body reorganization with reforming the cadre system and raised the quality of leading bodies. Through such means as democratic election, inviting tenders and advertising for hiring employees, the lifelong tenure cadre systems has basically been broken up. According to incomplete statistics, throughout the province 2,127 ordinary cadres and workers, 321 contracted workers and 373 farmers from country-level and grassroots enterprises were elected into grassroots cooperatives' leading bodies. These people have a good knowledge of the business, know about enterprise management and are enterprising. Moreover, supply and marketing cooperatives of all levels vigorously reformed the labor system and raised workers' ideological and business qualities. They generally carried out the labor contract system and introduced the new system of advertising to hire technical personnel, thus bringing notable improvement in the employee structure. Meanwhile, over 11,200 technical personnel of various types participated in training programs and such activities as intensive business training and technical contests were generally developed. At the same time, supply and marketing cooperatives of all levels further straightened out their business ideas, expanded service scope and raised service quality. Supply and marketing cooperatives in all parts of the province persisted in

taking as the central task the changing from "officially run" businesses to businesses run by the local people and changed from the purely operating type to the comprehensive service type. Up to the end of last June, as much as 210 million yuan had been raised through expanding the number of shareholders, which was an increase of over 400 percent above the total paid for shares by commune members in 1982. More than 100 types of production and processing enterprises and service facilities, totalling 2,090 projects, were set up. All enterprises and organizations in the supply and marketing system throughout the province have carried out various kinds of management contract responsibility system, and hence aroused workers' enthusiasm and raised enterprise economic results. Since 1983, each year's three indexes of purchases, sales and profits have surpassed those of the previous year, overfulfilled plans and broken historical records for 2 years running. At the end of 1982, 1,165 grassroots cooperatives had deficits, but by 1984 the number had been reduced to 112. Throughout the province, 30 counties and cities and 428 grassroots cooperatives doubled their annual profits. From January to June this year, the three indexes of purchases, sales and profits increased 7.7, 16.2 and 1.1 percent, respectively.

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FINANCE AND BANKING

WANG BINGQIAN ADDRESSES FINANCIAL WORK CONFERENCE

OW131408 Beijing XINHUA Domestic Service in Chinese 0846 GMT 13 Dec 85

[Text] Beijing, 13 December (XINHUA)--Wang Bingqian, state councillor and minister of finance, addressed the national conference on financial work which ended today. He said: Currently the nation's economic and financial situations are very good. Revenues, which rose steadily during the past four consecutive years, are expected to rise about 20 percent this year. We are quite confident that we will be able to balance revenues and expenditures and eliminate deficits.

Wang Bingqian called for continued efforts to achieve a balance between revenues and expenditures next year and lay a good foundation for fulfilling the financial tasks set by the Seventh 5-Year Plan. To achieve this goal, he pointed out that we must do well the following four points in next year's financial work:

1. Pay close attention to increasing revenues and reducing expenditures. We should, first of all, vigorously increase income by paying earnest attention to tax collection work and the financial work of enterprises. Efforts should be made to establish and amplify various management systems and strictly enforce tax and finance laws and disciplines. Meanwhile, we should arrange and control expenditures in accordance with state plans, practice economy, and combat waste. Except for increased expenditures which are necessary for ensuring key projects, the smooth implementation of reform, and for projects concerning investments in intellectual resources, we should exercise control over other expenditures next year. We should continue to assign quotas next year to control administrative expenses and institutional purchases. Financial departments at all levels must stick to the policy of achieving a yearly balance between revenues and expenditures with some surplus. Deficit spending is not allowed. Earnest efforts should be made to strengthen management of nonbudgetary funds and clear up the "small money-lockers" in various units.

2. Continue to improve the fiscal and taxation systems and make the necessary preparations for all-round reform of the economic structure during the Seventh 5-Year Plan period. Next year we will begin to gradually lower the rate of regulatory tax for those large and medium-sized key enterprises which require technological renovations, are assigned heavy export responsibilities have made great contributions to the state, and whose rate of regulatory tax is

high. We will also, in a planned and systematic way, raise the depreciation rate of fixed assets for a section of enterprises to further enliven large and medium-sized enterprises. We must continue to improve the system of replacing profits delivery with tax payments as well as industrial and commercial tax systems to fully bring into play the role of taxation as an economic lever.

3. Pay attention to key points in connection with the actual conditions to achieve a breakthrough in raising economic efficiency. Next year we should shift the emphasis of financial work to improving economic efficiency and give active support to projects conducive to improving economic efficiency. We should help some enterprises in carrying out indispensable technological innovations and importing needed technology by granting them special funds or by subsidizing their interest payments. However, it is strictly prohibited to transfer these funds to capital construction investment or consumption funds.

4. Strengthen ideological and political work; reinforce the ranks of financial and tax collection cadres; and carry on the tradition of hard work, plain living and being honest in performing official duties. It is necessary to continue to strengthen financial and tax organizations, reinforce the ranks of cadres, and strengthen information exchange and comprehensive analysis work.

The national conference on financial work opened in Beijing on 4 December. Representatives to the meeting discussed and allotted 1986 fiscal revenue and expenditures indexes and made arrangements for next year's financial work.

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FINANCE AND BANKING

SHAANXI'S LI QINGWEI SPEAKS AT FORUM ON FINANCE, TRADE

HK090813 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 5 Dec 85

[Text] On the afternoon of 5 December at a provincial forum on financial and trade work, Governor Li Qingwei made a speech pointing out: State-run commercial enterprises must open up the sources of goods, take an active part in the regulation of the market, and give full play to their role as a main channel. At present they must do well in grasping the supply of important non-staple foods, including meat, eggs, and vegetables. This is the key to running the market well.

On 3 December, the Provincial Finance and Trade Office convened a forum of responsible comrades, of all prefectures and cities, in charge of financial and trade work. Stress was laid on 9 analysis of the market situation in our province this year. Supply in the market this winter and next spring was studied and arranged.

Yesterday afternoon, Governor Li Qingwei attended the forum and spoke. He said: Since the beginning of this year, our province has scored very great achievements in work on the financial and trade fronts. These have been reflected in the very good situation of the urban and rural markets throughout the province. However, we must realize that in the wake of the penetrating implementation of the policies of reform and opening up, the constant increase in the people's income in the urban and rural areas, and the continuous change in the situation of the market, the contradiction between supply and demand will become more and more conspicuous. The financial and trade fronts are still confronting very arduous tasks in supporting production; opening up sources of goods; regulating the relations between supply and demand; stabilizing commodity prices; increasing income, reducing expenditures, and properly controlling capital.

In dealing with the current market situation, Governor Li Qingwei said: State-run commercial enterprises must strengthen the procurement of industrial products, particularly important means of production and durable industrial products which are in short supply, which must be handled by state-run commercial enterprises. Other enterprises and individuals must not carry out wholesale business in, or the supply of these commodities. State-run wholesale enterprises in large and medium-sized cities must do well in storing seasonal goods and give play to their role as reservoirs. They must overcome the current viewpoint of merely seeking profits. Doing a good job in the

supply of non-staple food, including meat, eggs, and vegetables, is an important matter which has a bearing on thousands upon thousands of households. The situation in autumn vegetables this year is very good. State-run vegetable companies must do good business and properly regulate varieties to stabilize the prices of vegetables. State-run commercial departments must strengthen the procurement of agricultural and sideline products. In particular, they must procure and supply more pigs, beef cattle, goats, and fresh eggs this winter to support the urban, industrial, and mining areas so that the markets are well supplied. The grain departments must step up the procurement and marketing of grain. A bumper harvest of summer grain was reaped this year and the quota of grain ordered was overfulfilled ahead of schedule. This played an active party in ensuring a balance of grain all through the year. Although production of autumn grain was reduced due to disasters, a very good harvest was still reaped. That our province can be sufficient in grain in a year of big disasters is an important strategic victory for us. At present, we must step up the work of storing the autumn grain in the granaries. Moreover, we must also conscientiously make arrangements for the masses' livelihoods in the disaster areas and areas which lack grain.

Governor Li Qingwei also put forward specific demands for aspects of the work of stabilizing commodity prices and controlling banks' credit funds, revenue, and financial expenditure. In conclusion, he said: Financial and trade departments at all levels must strengthen leadership, have an overall and clear picture of the market, unblock channels, coordinate relations, and do financial and trade work throughout the province to an even higher standard.

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FINANCE AND BANKING

PROGRESS IN AUDITING UNCOVERS FINANCIAL VIOLATIONS

OW151230 Beijing XINHUA Domestic Service in Chinese 0124 GMT 15 Dec 85

[By reporters Chen Naijin and Wang Yingchun]

[Excerpts] Beijing, 15 December (XINHUA)--Our country has scored tremendous progress in auditing work this year. From January to September, auditing organs uncovered questionable money totaling 5.3 billion yuan. Auditing is playing an increasingly important role in economic work.

Auditing is one of the important measures employed by the state to exercise financial and economic supervision. Since late 1984 when they were established, auditing organs at all levels have actively carried out auditing and supervision. In the first nine months of this year, they audited some 43,000 units, three times the number of units audited last year. Among the questionable money they uncovered, 3.9 billion yuan are involved with violations of financial and economic discipline. Their work has played a positive role for enforcing financial and economic discipline, ensuring smooth progress of economic reform, and improving party and social conduct.

The all-round reform of the economic structure requires that auditing organs play a role in macroeconomic control and management. In recent months some provincial and city auditing organs have done a great deal of work in this regard. After discovering that many enterprises and institutions had intentionally kept the contract base figures low and retained and recklessly spent revenue that should have been turned over to the treasury, the Liaoning Provincial Auditing Bureau proposed some measures for further bringing the irrational rise in consumption funds under control, which were approved and transmitted by the Liaoning Provincial People's Government to the whole province for implementation.

Auditing organs in various localities also explored ways to regularize and institutionalize auditing work. At present, directors and managers of some state-owned enterprises concentrate only on the short-term interest during their tenure with no regard for the long-term development of the enterprises. Some even indiscriminately issue bonuses and falsify reports on achievements, creating difficulties for the enterprises and their successors after they leave for other posts. To counter this situation, Liaoyuan City of Jilin Province, Huainan City of Anhui Province, and other places have adopted auditing measures for outgoing factory directors and managers. According to

the measures, competent departments may authorize factory directors and managers to leave office only after auditing organs have determined if the reported surplus or deficit figures have been falsified and whether there are any violations of law or regulations in the enterprises' revenues and expenditures.

Following internationally recognized auditing principles, auditing organs this year submitted reports and suggestions after auditing the 1984 finances of units in charge of projects financed by World Bank loans or aided by the UN agencies. After reviewing the reports, the World Bank concluded that auditing work done on the projects financed by World Bank loans fully conforms to international auditing principles and meets World Bank requirements.

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FINANCE AND BANKING

SHANDONG SUCCESSFUL IN GENERAL TAX-FINANCE SURVEY

SK160823 Jinan Shandong Provincial Service in Mandarin 2300 GMT 15 Dec 85

[Text] The provincewide survey of tax and financial affairs has developed rapidly with remarkable achievements. By the end of November a total of 341,000 enterprises run by the state, collectives, townships, towns, villages and individuals conducted self- and mutual-examinations, and underwent examination by specialized personnel. As a result, a total sum of 433 million yuan was uncovered, of which 372 million yuan has been decided to be incorporated into financial revenue. Thus far, more than 227 million yuan has been delivered to the state treasury.

At the recent meeting participated in by directors of various city and prefectural offices in charge of the tax and financial survey and heads of various branches of the provincial survey group, Ma Shizhong, vice governor of the province and head of the provincial tax and financial survey group, stressed the necessity of making persistent efforts to conduct the specialized examination, to deliver taxes due to the state treasury, and to solve problems in this regard so that we can achieve success in the current tax and financial survey from beginning to end.

Comrade Ma Shizhong said: The preceding stage of the provincewide survey of tax and financial affairs has developed in a comparatively good manner, and marked achievements have been scored. But because the time is pressing and the task heavy in the next stage of the survey, we must guard against complacency and slackness and attend to the work in one vigorous effort.

The specialized survey should be brought to a temporary close in mid-December on the whole. Those cities and prefectures which have not yet met the requirements of the provincial authorities should readjust and strengthen their forces to catch up with others. Delivering the taxes due to the state treasury constitutes the decisive battle for thoroughly completing this general survey. We must pay attention to delivering the taxes which should be delivered to the state treasury. Those problems which have been uncovered during the survey should be solved in a serious, conscientious and realistic manner. Illegally gained money, evaded taxes, and illegally retained state funds should all be recovered and delivered to the state treasury. As for those units which have evaded taxes in a serious manner, have refused to conduct a conscientious self-examination, resisted the specialized examination, and even have adopted fraudulent measures, not only should severe

economic punishment be imposed on them, but the related leaders and persons should also be called to account. Even more severe punishment should be imposed on those who knowingly violate discipline and commit mistakes in the course of the survey.

In his speech, Comrade Ma Shizhong also set forth specific demands on the summing-up and acceptance tests for the general tax survey.

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FINANCE AND BANKING

HEILONGJIANG: TELEPHONE CONFERENCE ON TAX, FINANCIAL SURVEY HELD

SK120423 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 11 Dec 85

[Excerpts] On the morning of 11 December, the provincial government held a telephone conference to analyze the province's work situation in conducting a general survey on tax, finance, price, and foreign exchange, calling on all departments to further solve the ideological problems in the course of the general survey, to improve the quality of the survey, and to speed up its progress. At present, the province's survey among key enterprises is being comprehensively carried out. By the end of November, a total of 235 million yuan of illicit money, of which 165 million yuan should be returned to the state treasury were discovered in the province. So far, some 97 million yuan has been repaid to the treasury, accounting for 58 percent of the amount of illicit money which should be restored to the treasury.

At the conference, Vice Governor Liu Zhongli, in view of the problems in the current general survey, called on the various localities and departments to resolutely implement the guidelines of the directive of the State Council, enhance their understanding, strengthen leadership and their confidence in the general survey, and eliminate the entirely erroneous ideas of waiting for and leaving things to chance. It is necessary to improve the quality of the survey, accelerate its progress, focus our work on organizing personnel and setting time for inspecting the key enterprises, concentrate professionally-competent backbone cadres on investigating key large enterprises, share the responsibility, and discover and eliminate the untouched corners. The banks at all levels should take charge of inspecting those enterprises undertaking capital construction projects by contracts. The industrial and commercial administrative departments should take charge of inspecting some farm product markets and individual households to see how they implement the pricing policies. The tax, financial, pricing, industrial, and commercial departments should share their work and cooperate with one another, and deeply inspect the [word indistinct] companies and centers. The provincial general survey office has made arrangements for inspecting some provincial-level departments and bureaus. We should make overall planning, handle in a timely manner all discovered illegal cases, and immediately handle some major and appalling cases in public.

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FINANCE AND BANKING

BRIEFS

RECOVERED CURRENCY INCREASES--Guangzhou, 10 December (Zhongguo Xinwen She)--The amount of recovered currency in Guangzhou between January and November 1985 totalled over 940 million yuan, an increase of more than 500 million yuan over the same period in 1984. Between January and November 1985, financial revenues in cash in Guangzhou increased by a comparatively large margin compared with 1984. The income derived from commodity marketing increased by 34 percent, the income derived from the service trades increased by 54 percent, and the income derived from urban and rural savings deposits increased by 62 percent. Guangzhou has also adopted measures to control the investment in capital construction and the scope of credit, in order to reduce monetary supply. In 1985, 131 items of irrational loans totalling more than 440 million yuan have been checked. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0247 GMT 10 Dec 85 HK] /12913

SHANGHAI DELINQUENT PAYMENTS--According to the Municipal Agricultural Bank, by the end of September, rural enterprises in the suburbs had aggregated delinquent payments of over 600 million yuan, or nearly 100 percent more than the same period last year. Of this amount, 62 percent were delinquencies of state-owned businesses in Shanghai. Because of the enormous amount, the enterprises' year-end distribution as well as their normal need of circulating funds have been seriously affected. For this reason, the rural enterprises appeal to leading authorities concerned in Shanghai to urge the relevant state enterprise to pay their delinquencies as quickly as possible. [Text] [Shanghai CITY SERVICE in Mandarin 2300 GMT 20 Nov 85 OW] /12913

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MINERAL RESOURCES

SHAANXI'S MINERAL RESOURCES

Beijing ZHONGGUO DIZHI [CHINA GEOLOGY] in Chinese No 8, 13 Aug 85 pp 21-22

[Article by Dong Yingbi [5516 2503 4310] of the Shaanxi Province Geology and Mineral Bureau: "An Outline of Shaanxi's Mineral Product Resources"]

[Text] Some 86 types of mineral resources had been discovered in Shaanxi Province by 1983. There are proven reserves of 61 types and more than 500 sources, including 104 large and medium scale deposits. An analysis of proven mineral resource reserves in combination with mineralization geology conditions and the degree of geological work shows that Shaanxi Province has rather abundant energy resources, certain advantages in nonferrous metals and precious metals, and fairly good non-metallic mineralization conditions. Metallic and non-metallic minerals have been developed and utilized gradually as socialist construction has developed, but the degree of development and utilization is rather low. Although there are fairly large reserves of some types of mineral resources such as mercury and antimony ore, they have not been developed and utilized. The prospects are good for some types of minerals, but there is inadequate geological work, so planning and construction cannot proceed in a timely manner.

I. Energy Resources

1. There are rich coal resources with proven reserves that are third highest in China, and there are 3.9 billion tons in proven reserves in producing mines and mines under construction. The coal types are mainly low metamorphic jet coal, unbonded coal and weakly bonded coal, followed by lean coal and low-grade coal, and there is a shortage of rich coal and anthracite. Coal types in Shaanxi are mainly power coal, which is rather favorable for development of the energy resources industry.

2. Northern Shaanxi was one of China's earliest petroleum discovery sites. After Liberation, nine small oil fields were discovered in the Guanzhong [central Shaanxi] and northern Shaanxi regions at Wuqi, Zhiluo and so on, as were a number of small oil and gas sites. Recently, new oil-bearing strata were discovered in the bottom part of the Yan'an suite of the Jurassic system in the Yuheng region and at the top of the Yongping suite of the Triassic series. Shaanxi also has some prospective reserves of oil shale formed in the late Triassic that are continental facies sediments with a mineralization layer varying from 0.75 to 24 meters and an oil content of 5 to 9 percent. It has not been utilized yet.

There are certain prospects for coal-formed gas throughout the Carboniferous and Permian coal fields in Shaanxi, and they await further surveys and evaluation.

3. Analysis of geological and structural conditions indicates that the conditions for geothermal energy resources exist in the Mesozoic and Cenozoic fault-subsidence basins in Guanzhong and southern Shaanxi. Some underground hot water outcrops are found along piedmont zones of renewed fracture activity. Five preliminary geothermal zones have been demarcated in the Guanzhong Basin. They cover an area of about 870 square kilometers, and hot springs have been found at more than 20 sites. Four hot spring sites have been discovered in the piedmont zone at the northern margin of the Hanzhong Basin in southern Shaanxi. Geothermal energy resources can be developed for industrial and agricultural uses.

II. Nonferrous Metals and Precious Metals

Shaanxi has 11 types of proven nonferrous and precious metal minerals. There are 76 sites, 34 of them are large and medium-scale ore deposits. Shaanxi is second nationwide in mercury ore reserves and third in molybdenum ore, and it also occupies an important status in gold and silver.

1. Jinduicheng is China's second largest molybdenum deposit, and refined molybdenum ore output is highest nationwide. The Dashigou molybdenum-rhenium deposit is a large comprehensive mineral deposit that contains trace elements, including rhenium metal reserves that are the largest in China.

2. Silver, lead, zinc and other metals. There are many silver and lead metal deposits at Yintongzi. They cover a large area, are of good quality and can be dressed easily. If communications conditions can be solved, this could become a fairly important silver mine in China. The strata-controlled lead and zinc mineral zones in the Fengxian-Taibai region have already-controlled reserves of more than 2 million tons. Communications, hydropower and other external conditions in the region are favorable. It could become one of China's primary nonferrous metal industry base areas with a focus on lead and zinc.

3. There are many types of metal ores that are broadly distributed, have deposits that occur on a large scale and have rather substantial prospects for development. The Xiaoqinling region (which includes western Henan) contains gold-bearing quartz vein-type gold ore. The grade is rich, the scale is large and extraction is easy. Gold output now has become the largest in China. The Han Jiang basin's placer gold ore deposit is among China's largest placer gold deposits. Furthermore, some breakthroughs and new discoveries have been achieved through geological work on the strata-controlled gold deposits in Devonian system albitophyre and breccia at Zhongtailing, the primary gold in basic volcanic rock and carbonatite in the Mianxian and Lueyang areas, and the placer gold ore in the upper reaches of the Jialing Jiang. Gold ore in Shaanxi's Qinba region will assume an important position in China.

4. Proven mercury ore reserves are second only to Guizhou Province, and analysis of the mineralization conditions indicates that the prospects are considerable. Exploration of the western end of the Gongguan--Huiling ore

field at Dianyong [as published] in southern Shaanxi has been concluded. Work on the enormous mercury deposit at the eastern end is underway and there are prospects above the western end. Moreover, there are areas of prospective mineralization around the perimeter of the ore field.

There are six large and small-scale antimony deposits. They are of two types: the mercury-antimony type and the purely antimony type, and they are distributed mainly in the Shangxian, Danfeng, Shanyang and Dianyong regions.

III. Ferrous Metals

1. Iron ore is distributed primarily in Hanzhong and Shangluo Prefectures. There are nearly 500 million tons of reserves, most of it low-grade ore, but the distribution is fairly concentrated. The Daxigou iron deposit at Zhashui with proven reserves of 300 million tons is an example. Changes in transportation conditions would make mine construction possible. There are 150 million tons of iron ore reserves in the Mianxian-Lueyang-Ningqiang region and mines already exist to extract it. The key lies in improved management and administration, rational development and improved economic results.

2. There are three main sites of manganese production and proven reserves exceed 7 million tons. The manganese deposit at Lijiayi in Hongzong is sedimentary metamorphic manganese ore, mainly braunite. There is a manganese carbonate ore stratum on the upper plate of the Tiantai Shan phosphorous ore strata at Hanzhong that reaches a maximum thickness of 21 meters. The maximum manganese content is 29.57 percent and the ore body occurs on a large scale. Continuity is good and it assumes a strata or lenticular shape. The primary ore rock material is reddingite, rhodochrosite and manganese-containing dolomite. If dressing and refining problems can be solved, Shaanxi's manganese ore reserves could be a major breakthrough.

IV. Non-metallic Mineral Products

Shaanxi has certain advantageous non-metallic ore products with proven reserves at the present time, mainly phosphorous, glass raw materials and casting sand (quartz), cement and chemical limestone, asbestos, gypsum, fluorite, barite and so on. There are certain prospects for amorphous fire-resistant materials needed in industry (andalusite, sillimanite, cyanite), surface fill rock material for construction and so on.

1. Shaanxi Province has the largest proven reserves of phosphorous ore in the five northwestern provinces. It occupies an important position in the phosphorous-short northern provinces. Two large deposits, three medium-sized deposits and eight small deposits already have been proven. Shaanxi is self-sufficient in and has a surplus of phosphorous resources. There are two main types of phosphorous ore. One type is sedimentary phosphorite. The other type is apatite that was produced in ultrabasic rock. There is one large deposit of the latter. The raw ore grade is only 3 to 4 percent, but it is easy to dress and the grade of the refined ore could reach 29 percent, and open-pit extraction is possible on a large scale.

2. Quartz, the raw material for glass, is distributed mainly in the Bao He—Yagu Shan area in Hanzhong. It is sedimentary shallow metamorphic quartz ore that is of good quality and covers a large scale, and it can be extracted in open pits. Construction of a large mine can satisfy demand within Shaanxi as well as provide assistance to neighboring provinces.

3. Shaanxi has abundant cement and chemical limestone resources of good quality. The zones of limestone distribution in Weibei in Guanzhong have adequate coal and electricity resources as well as good communications and extraction conditions. There is a substantial disparity between yearly cement output in Shaanxi compared with the province's superior resource conditions and construction needs. Planned utilization of chemical limestone is urgent and we also should strive to develop the necessary geological prospecting work to determine the overall prospects and scale to facilitate rational planning and utilization.

4. There are over 200 million tons in proven reserves of gypsum ore at Walizi in southern Shaanxi, the quality is good and communications are convenient. Full use should be made of this resource advantage to change the situation of Shaanxi's long-term dependence on gypsum from other provinces.

5. Shaanxi has abundant barite resources, with proven reserves that are third highest in China. Sedimentary barite deposits occur on a large scale in southern Shaanxi's Ankang Prefecture. There are more than 10 million tons of reserves in the Shiti deposit now being prospected and communications and transportation conditions there are favorable. It should be exploited as soon as possible.

Geological work in Shaanxi Province has developed rather substantially and there are favorable mineralization conditions in the Qinba region, so there is substantial resource potential. The prospects are rather good in exploration for nonferrous, trace and precious metals and for nonmetallic resources and they are in great demand by the state. The pace of geological survey and prospecting work should be accelerated. It can be predicted that major breakthroughs in basic geological and mineral exploration work will occur as the degree of geological research improves and that inevitably there will be new discoveries and even greater progress in mineral product resources in the Qinba region of Shaanxi.

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CSO: 4013/184

MINERAL RESOURCES

BRIEFS

SHANDONG MINERAL PRODUCTION--During the Sixth 5-Year Plan period, the Shandong provincial minerals departments comprehensively overfulfilled the state-assigned plan and scored fruitful geological achievements. During this period the province overfulfilled the state plan for verifying gold reserves by 70 percent. The state plans for verifying the reserves of gold, silver, copper, iron, graphite, cement, and limestone were overfulfilled by 20 to 160 percent. The No. 1 geological team discovered two large gypsum mines in Taian and Pingyi Counties, one of which has a total reserves of 30 billion tons.

[Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Dec 85 SK] /12913

CSO: 4006/436

INDUSTRY

BEIJING OFFICIAL ON CHANGES IN INDUSTRY

OW051919 Beijing XINHUA in English 1652 GMT 5 Dec 85

[Text] Beijing, 5 Dec (XINHUA)—There have been great changes in the structure of Beijing's urban and rural industry during the sixth five-year plan period (1981-1985), an official of the Beijing City Government told XINHUA today.

The changes have been made along the line set out by the Central Committee of the Communist Party of China for municipal construction of the capital city, the municipal authorities said.

The major changes are:

--service trades have boomed, with earnings making up 33.7 percent of the total value of the city's annual output of goods and services.

The city has had 80,000 shops, repair centers and service undertakings, 3.4 times higher than 1980's figure. Over the past five years, the city has built or rebuilt more than 3,000 hotels, adding some 240,000 beds, 2.9 times the figure for the previous five years. The number of taxis running on the streets has come to 11,000.

--the food and electronic and other high-tech industries have developed fast. The output value of light industry accounts for 44 percent of the city's total industrial output value as against 30 percent five years ago.

During the past five years 150 polluting factories have removed to other places, switched over to other lines of production, merged with others, or closed down. And the total industrial output value has increased 7.8 percent annually since 1980.

--the rural economy has been diversified. Grain production for both last year and this was 2,150,000 tons. And the output of eggs, milk, fish and fruit has also increased markedly. The output value of rural enterprises

accounts for 70 percent of the total output of goods and services on the outskirts as against 53 percent five years ago. The total agricultural output value increased from 1.77 billion yuan in 1980 to 4 billion yuan this year.

However, Beijing residents still suffer from shortage of supply of amenities, such as transport and telephone services, the official said. The service industry will still be the focus of development over the next five years.

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CSO: 4020/134

INDUSTRY

PRC PAPER ON PROSPECTS FOR TOURIST INDUSTRY

HK130403 Beijing JINGJI RIBAO in Chinese 6 Dec 85 p 1

[Commentator's article: "There Is a Bright Future for the Tourist Industry"]

[Text] The tourist industry is a comprehensive undertaking, involving such aspects as politics, economy, science, and culture. Developing the tourist industry will not only be helpful to the spreading of culture, making a wide range of friends, and enhancing China's reputation, but also to promoting urban and rural construction and stepping up the pace of beautifying our motherland. At the same time, developing the tourist industry will promote consumption and production, provide a higher employment rate within the country, increase foreign currency income, make China's socialist economy thrive, and step up the pace in the four socialist modernizations.

China's practice in recent years has proved that the tourist industry has bright prospects. Whether it is travel agencies and hotels for tourists, or taxi and yacht companies, they are all trades with low investment and a short investment cycle, making good profits and increasing foreign currency income. Between 1978 and 1985, the state has invested a total of 650 million yuan in the tourist industry, bringing in more than \$5.58 billion worth of foreign currency during the same period.

Based on the forecasts of relevant departments, the number of foreign tourists could be as high as 10 million by the end of the century, which would bring in \$10 billion in foreign currency for the state. This is an important channel for the state to create foreign currency income.

The general trend in the world tourist industry is continuous growth. In 1984 alone, the world figure for tourists was 300 million and the income derived from the international tourist industry was as high as \$100 billion. The tourist industry is becoming the most stable and important economic activity in international ties. Although China's tourist industry accounts for a very small proportion of the world tourist industry and foreign tourists coming to China account for only less than 1 percent of the total world tourist figure, China has rich tourist resources, including natural, historical, and cultural resources, some of which have already been developed, and others the development of which have been begun. The potential for developing the tourist industry is tremendous. Therefore, as soon as we are determined to grasp it, giving our attention to the synchronous development of relevant

trades, particularly communications, such as civil aviation, railroads, and highways, as long as we are ready to exert our efforts and to make investment in it, building up tourist areas with some emphases in a planned way, stepping up the pace in training qualified people for the tourist industry, and continuously improving management and the quality of service, China's tourist industry will certainly undergo comparatively great development, and will certainly bring in more foreign currency income.

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INDUSTRY

CHINA'S SLUGGISH AUTOMOBILE MARKET TAKES FAVORABLE TURN

HK031553 Beijing ZHONGGUO XINWEN SHE in Chinese 0657 GMT 29 Nov 85

[Text] Beijing, 29 November (ZHONGGUO XINWEN SHE)--This reporter has learned from the China Automobile Marketing Service Company that by 20 November, the seven main automobile enterprises, which account for two-thirds of China's total automobile output, have already sold 240,000 motor vehicles this year. The sales volume in October increased by 30 percent over September. The sluggish sales of motor vehicles which began at the end of May of this year are now taking a turn for the better.

As a result of government controls over credit, the "motor craze" in China which had lasted for 3 and 1/2 since 1982 has now started to cool down beginning in June of this year. The overstocking of imported vehicles was more serious than that of China-made vehicles. Consequently, the poor quality and inferior brand China-made vehicles sustained tremendous losses.

Now the price of China-made vehicles has begun to drop. The price of each Jiefang brand trucks has dropped from 38,000 to 32,000 yuan and that of Huanghe brand trucks has dropped from 63,000 to 48,000 yuan. It has been reported that the price of overstocked imported vehicles will also drop by a big margin, which will further affect the sales of China-made motor vehicles.

The current sluggish motor vehicles market does not mean that the use of vehicles has reached a saturation point in China. The motor vehicles possessed by civilians in China total 2.88 billion, which is far from meeting the demand. The reasons for the sluggish market include state controls over credit, unreasonable prices of motor vehicles, a short supply of gasoline in China, imports of large numbers of motor vehicles, and an excessive exaction of charges by certain units.

Now the name brand China-made motor vehicles, including Jiefang, Dongfeng, and Beijing model 130, sell well on the domestic market.

China has manufactured 340,000 motor vehicles in the first 10 months of this year. The output is expected to reach 402,000 by the end of the year. It is estimated that the overstock will last until the end of the first quarter of 1986.

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INDUSTRY

JIANGXI DEFENSE INDUSTRY MEETS SOCIAL DEMANDS

OW132150 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 12 Dec 85

[Text] During the Sixth 5-Year Plan period, the provincial office of science, technology, and industry for national defense has earnestly implemented the policy of readjusting the national economy and combining defense and civilian industries, persistently implemented reforms, and kept forging ahead. A good tendency of steady, stable, and all-round development has emerged in the production of the province's locally run defense industrial enterprises.

During the five years, the defense industry's output has risen at an average annual rate of 21.8 and profits at 89.2 percent. This year's annual profit plan was overfulfilled by 12.7 percent a month ahead of schedule.

Despite a 70 percent drop in assigned production of military supplies, the province's locally run defense industrial enterprises have implemented the policy of combining defense and civilian industries and have worked hard to readjust the production structure. In the past five years, they have raised more than 70 million yuan for investment in technological renovations. They have developed nearly 100 new products in the following five major categories to meet social needs: electric machinery, home electric appliance, electronics products for civilian use, metal tools, and civilian telecommunications equipment.

Carrying out technological renovation among enterprises the focus on improving product quality is another feature of the provincial office of science, technology, and industry for national defense's work in transforming enterprises. During the Sixth 5-Year Plan period the province's locally run defense industries, which registered profits for years running, did not rest content with immediate benefits. Instead, they had the long-term interest in mind and actively applied new technology and introduced new equipment to upgrade product quality. In the five years they have introduced more than 30 new technologies including nickel-iron eletroplating, high-frequency welding, controllable silicon intermediate-frequency power source deduction heating, new-type refrigerant, and electronic computer. Some 36 products of these enterprises have been named quality products by the state, relevant ministries, and the provincial authorities. The quality stability rate of major products have remained at 85 percent or higher.

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INDUSTRY

BRIEFS

GUANGDONG TEXTILE INDUSTRY--The province's textile industry has achieved synchronous increases in its growth rate, economic efficiency, and submitted profits and tax. The output value of the province's textile industry from January to September this year amounted to 2.4 billion yuan, an increase of 35.63 percent over the same period last year. The profit and tax of state-run textile industrial enterprises for the period increased by 46.43 percent over the same period last year, higher than the national average. The textile exports of the province from January to September this year amounted to 260 million yuan, an increase of 19.15 percent over the same period last year. [Summary] [Guangzhou Guangdong Provincial Service In Mandarin 0400 GMT 10 Dec 85 HK] /12913

SHANGHAI TEXTILE INDUSTRY--Shanghai's textile industry has been growing steadily during the Sixth 5-Year Plan. Tax and profits delivered to the state by the industry during the period totalled 15.9 billion yuan. During the Sixth 5-Year Plan, its total output value increased at an average rate of 2.95 percent annually and its textile goods export earned a foreign exchange income of more than 6 billion yuan, accounting for 40 percent of the city's total foreign exchange income from foreign trade. [Summary] [Shanghai City Service in Mandarin 2300 GMT 30 Nov 85 OW] /12913

SHANGHAI BULK CARGO SHIP--Shanghai, 29 November (XINHUA)--A 39,000 ton bulk cargo ship, SS Pingan No. 1, was launched at the Jiangnan Shipyard today. The freighter, the first of its kind built in China, is 195 meters long, a beam of 28.4 meters, and 15.8 meters draught. More than 90 percent of the ship was Chinese-built, including the diesel engine, generator, crane, deck cover, and other major facilities. [Text] [Beijing XINHUA Domestic Service in Chinese 1509 GMT 29 Nov 85 OW] /12913

SHANDONG CHEMICAL INDUSTRY--Shandong Province has vigorously developed its chemical industry during the Sixth 5-Year Plan period. It is estimated that the chemical industry output in 1985 will be valued at 3.5 billion yuan, an increase of 40.85 percent over 1980, showing an average annual increase of 7.1 percent. All 18 major products will reach the targets set in the Sixth 5-Year Plan. During the Sixth 5-Year Plan period, the profits and taxes generated by the chemical industrial enterprises will be 2.465 billion yuan, an increase of 81.2 percent over the Fifth 5-Year Plan period. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Dec 85 SK] /12913

INTERNATIONAL STEEL CONFERENCE--Beijing, 4 Nov (XINHUA)--The 1985 international academic conference on high-strength, low-alloy steel opened in Beijing on 4 November. Sponsored by the China Metals Society, the conference draws some 300 experts and scholars from China, the United States, Japan, the USSR, the FRG, and 15 other countries. [Summary] [Beijing XINHUA Domestic Service in Chinese 0804 GMT 4 Nov 85 OW] /9738

HUNAN SECOND LIGHT INDUSTRY--In reform of the economic structure, some 800 enterprises of the Hunan provincial second light industrial system have increased their output value by some 150 million yuan and profits by some 10 million yuan. Thus, the second industrial system has achieved relatively good economic results. [Summary] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 3 Dec 85 HK] /9738

CSO: 4006/446

CONSTRUCTION

FUJIAN CONDUCTS NUCLEAR POWER FEASIBILITY STUDY

HK130553 Hong Kong SOUTH CHINA MORNING POST in English 13 Dec 85 p 11

[Text] Fujian province has started a preliminary feasibility study into the construction of a nuclear power plant although it is clear there will be no money for such a project until the next decade.

Mr Zhang Ruiyao, deputy director of the Planning Commission of Fujian Province, said: "We have formed a group of experts to look into the project but in view of the financial situation, it is believed we cannot go ahead with it in the Seventh Five-Year Plan which starts next year."

The probable site of the plant is in Quanzhou but it has not been finalized, another official said.

Mr Zhang said electricity shortages in the province average 10 percent--refuting some press reports which put the figure as high as 30 to 40 percent.

He said a main problem is an over-reliance on hydro-electric power in the past which has resulted in power shortage during dry winter seasons.

Currently up to two thirds of the power supply comes from hydro-electric plants. The rest comes from coal-fired plants and this is considered unsatisfactory, said Mr Zhang.

The power problem has become more and more acute following the opening of the province five years ago. But now the province is determined to change its imbalance of power generation by building several coal-fired and oil-fired power plants.

But again there could be problems too. A latest example is an oil-fired plant in Mawei which is near Fuzhou, the provincial capital. It was built by French engineers to serve the developing Mawei Economic and Technological Development Zone.

French experts involved in the project said the Chinese wanted the plant to operate in a very short time and so a small-scale oil-fired station was erected. But when the plant was completed, the provincial authorities found they were unable to buy fuel.

Nevertheless, the authorities are determined to boost electricity supplies to the province and are planning at least three other plants in addition to the Mawei project.

According to Mr Zhang, the power generation in Fujian last year was 6.75 billion kilowatts (units).

(Hong Kong with a quarter of the population of Fujian used about 15.3 billion units in 1984).

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CSO: 4020/134

CONSTRUCTION

OPEN COUNTY IN FUJIAN BEGINS CONSTRUCTION

HK150834 Beijing ZHONGGUO XINWEN SHE in Chinese 0215 GMT 12 Dec 85

[Text] Fuzhou, 12 Dec (ZHONGGUO XINWEN SHE)--At present, the construction of five infrastructure projects is in full swing in Fujian Province's Dongshan County Development Region.

These five projects are: the construction of a dock with two 3,000-ton berths; the erection of a high-tension power transmission line of 110,000 volts from Zhangzhou to Dongshan; the construction of a waterworks with a daily output of 10,000 metric tons; the construction of a special petroleum dock with a 1,000-ton berth; and the erection of an eight story top quality tourist guesthouse, the Huaifu Hotel. At the same time, preparations have begun for the installation of 1,200 automatic telephones. A plan is being drawn up on the construction of a silicon mine with an annual output of 300,000 metric tons.

Dongshan County is situated at the southern end of Fujian Province. It has marine transport facilities that link it with Xiamen and Fuzhou to the north and Hong Kong and Macao to the south. Across the sea lies Taiwan. The total area of the island of the county is 197 square kilometers and the population totals 160,000 people. The county is the second largest island of Fujian. Last February, Dongshan County got approval from the State Council to be one of the first counties that is to be opened to the outside world.

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CONSTRUCTION

JIANGSU SPEEDS CONSTRUCTION OF KEY PROJECTS

OW160918 Beijing XINHUA in English 0709 GMT 16 Dec 85

[Text] Nanjing, 16 Dec (XINHUA)--A cement plant with an annual production capacity of one million tons will go into operation in Xuzhou, in Jiangsu Province, this month.

The Huaihai cement plant is one of the 13 national top priority projects being built in Jiangsu, a provincial official said today. China has listed 169 such key projects during the sixth five-year plan, which ends this year.

The Yangtze ethylene works is being built in the provincial capital of Nanjing. The 4.7 billion yuan project will have 10 plants, including one to produce 300,000 tons of ethylene and a plant to produce 450,000 tons of aromatic hydrocarbon a year. The works, using imported technology and equipment, will be completed in 1989.

Part of the petrochemicals will be supplied to the nearby Yizheng chemical industrial company which, scheduled for completion in 1987, will produce 240,000 tons of polyester staple fibers and 152,000 tons of polyester chips annually.

The works and the company will manufacture seven billion yuan worth of products a year, the official said. Seven of the 13 key projects involve transport and energy, priority sectors in the country's economic construction, he said.

Work is under way to dredge and renovate the 1,794 km ancient grand canal between Beijing and Hangzhou, to ship an extra ten million tons of coal a year to the energy-deficient south. The Lianyuangang Port is being expanded and the Xinshengwei Harbor is being built at Nanjing, the official said.

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CONSTRUCTION

BRIEFS

EXPANSION PROJECTS COMPLETED--The expansion projects for the Dalian, Dandong and Changchun airports were all completed by a certain engineering corps of the Shenyang PLA Air Force and were formally put into operation by the end of October. Before expansion, these three airports could only handle the landing of small AN-24 airliners. After expansion, they can handle the landing and takeoff of large airliners. After being examined and tested by the PLA Air Force, the Shenyang PLA Air Force and the relevant departments of the Civil Aviation Administration, all three airports were proven to be up to qualified standards. The rate of good quality projects for two airports reached 100 percent and the other reached more than 94 percent. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 6 Dec 85 SK] /9738

SHAANXI JING HE BRIDGE--Xian, 13 Dec (XINHUA)--A concrete bridge spanning the Jing He, has been built in Binxian county, Shaanxi Province. The bridge, located at the former site of the Huoshi Ferry, is nearly 700 meters long, with a two-lane roadway. This bridge has ended the age-old situation where ferry was the only means of transport between Weibei and Longdong Caoyuan. [Summary] [Beijing XINHUA Domestic Service in Chinese 0305 GMT 13 Dec 85 OW] /9738

SHAANXI RAIL ELECTRIFICATION PROJECT--Xian, 6 Dec (XINHUA)--The electrification project of the Mengyuan-Baoji Railway, which is a section of the Longhai Railway from Lianyungang, Jiangsu, to Lanzhou, Gansu, and a key state construction project in the sixth and seventh 5-year plans, begins construction today. This section is 291.5 km long and will be completed in 1988. Completion of this project will increase the annual freight transport capacity of this section from the present 19 million metric tons to 40 million metric tons. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1415 GMT 6 Dec 85 OW] /9738

XINJIANG RESIDENTIAL HOUSES--During the Sixth 5-Year Plan period, construction of residential houses in Xinjiang's cities and towns developed rapidly. The per capita housing area was 5.6 square meters, 1.07 square meters higher than the target and higher than the standard per capita housing area in large and medium cities in the country. During the period, the region invested a total of 1.88 billion yuan on building residential houses and

built a total of 14.6 million square meters of residential area, increases of 170 percent and 87 percent respectively as compared with Fifth 5-Year Plan figures. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 13 Dec 85 HK] /9738

HAI HE SLUICE GATE--Construction of the No. 2 Hai He sluice gate--one of the municipality's major construction projects--has been successfully completed. Yesterday morning the municipal government held a ceremonious victory meeting at the No. 2 Hai He sluice gate. The newly constructed No. 2 Hai He sluice gate is located on the main channel of the Hai He in the eastern part of (Dongnigu) village in Nanjiao District. At 1000, Major Li Ruihuan cut the ribbon for the completion of the project amid warm applause, the beating of gongs and drums, and the explosion of fire-crackers. [Excerpts] [Tianjin City Service in Mandarin 0030 GMT 8 Dec 85 SK] /9738

FUJIAN HIGHWAY CONSTRUCTION--According to ZHONGGUO JIAOTONG BAO [CHINA COMMUNICATIONS], during the sixth 5-year plan period, Fujian Province scored encouraging achievements in highway construction. The province now has 36,000 kilometers of highways, an increase of 3,400 kilometers over the last year of the fifth 5-year plan. Its highway density ranks second in the nation. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 16 Nov 85 OW] /9738

JIANGXI POWER PROJECT--Nanchang, 3 Dec (XINHUA)--The second 125,000 kw thermal power generator at the Guixi Power Plant was put into operation on 1 December as part of Jiangxi's power grid. The Guixi Power Plant, with a total capacity of 500,000 kw, is under construction as a project in association with the development of copper production in Jiangxi. The whole project is expected to be completed in 1987. [Summary] [Beijing XINHUA Domestic Service in Chinese 0829 GMT 3 Dec 85 OW] /9738

FUJIAN'S RURAL CONSTRUCTION--Fujian's rural construction industry made rapid progress during the Sixth 5-Year Plan period. Its total income during the period topped 3.31 billion yuan, representing an average 142 percent increase in annual income since 1980. [Summary] [Fuzhou FUJIAN Provincial Service in Mandarin 1130 GMT 6 Dec 85 OW] /12913

BEIJING APARTMENT COMPLEX--Beijing, 14 Dec (XINHUA)--A foundation stone laying ceremony was held here today for a 50-story office and apartment complex. With a height of 170 meters, the Jingcheng complex, separated by a river from the embassy area in the east suburbs, will be one of the highest buildings in Beijing, a project official said. It will have a total floor space of 135,000 square meters upon completion in 1989. The China international trust and investment corporation plans to invest 80 million U.S. dollars in the building of the complex. [Text] [Beijing XINHUA in English 1525 GMT 14 Dec 85 OW] /9738

CSO: 4020/134

DOMESTIC TRADE

GUANGZHOU ESTABLISHES ECONOMIC LINKS WITH OTHER AREAS

HK110923 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 8 Dec 85

[Text] Guangzhou City has established extensive economic ties with urban and rural areas in the interior of China. By the end of September, foreigners had established more than 2,200 enterprises in Guangzhou. The city has reached agreement with 26 provinces, cities and regions throughout China for 1,970 projects on economic and technological cooperation, involving a gross investment of 1.52 billion yuan.

In April last year, the Guangzhou CPC Committee took the work of developing extensive economic ties as one of the six measures adopted for opening up and carrying out reforms. The committee clearly pointed out the goal of giving play to the city's role as the junction point for importing from outside and linking up with the hinterland. The principal leaders of the city CPC committee and government personally went to Shanghai, Guizhou, Sichuan, Xinjiang and so on to promote the establishment of extensive economic ties.

At present, Guangzhou has built 29 bases at various localities in other provinces for the supply of raw materials. This year, these bases have supplied the city with 180,000 tons of coal, 13,700 tons of pig iron, 74,300 tons of steel, 11,200 tons of aluminum and 15,500 tons of coking coal, thereby easing the city's worries about a shortage of raw materials for industrial production in the near future.

(Yazhou) Soft Drink Company established 15 branch factories in Xian, Beijing, Luoyang, Xinjiang and other locations and helped local areas produce soft drinks to meet market demands. According to statistics, from January to September, 655 projects of economic and technological cooperation that had been initiated brought a total gross output value of more than 206 million yuan to the city.

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CSO: 4006/419

DOMESTIC TRADE

BRIEFS

LATERAL ECONOMIC COOPERATION DEVELOPS--Lateral economic cooperation in the three provinces of Northeast China and the four leagues and cities in Nei Monggol Region has been developed well. So far, some 4,397 cooperative items of various descriptions have been signed involving some 2 billion yuan. In addition, these cooperative items have brought a new output value of some 3 billion yuan. During the past few years, the scope of economic and technological cooperation in the northeast region has been gradually expanded and has begun to move in the direction of multilayered and multichanneled cooperation. The region as a whole has developed a great number of production cooperative units that have produced mainly brand-name and quality products; these units have large and medium-sized enterprises as their main body. The regional economic networks have been expanded every day. Cooperative associations between the urban and the rural areas, with large and medium-sized cities as their supporters, are being formed and developed. Our province has established three economic and technological cooperative associations--one composed of seven central cities, with Shenyang as the center, one composed of five coastal cities, with Dalian as the center, and one composed of four cities in the western part, with Jinzhou City as the center. These associations have played an active part in promoting economic progress in Liaoning. [Excerpts] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 10 Dec 85 SK] /12913

CSO: 4006/419

FOREIGN TRADE AND INVESTMENT

DAIRY PRODUCTION, PACKAGING TAUGHT BY SWEDISH COMPANIES

Stockholm DAGENS NYHETER in Swedish 30 Oct 85 p 11

[Article by Goran Leijonhufvud: "Chinese Milk in Blue and Yellow Packaging"]

[Text] Beijing. The residents of Beijing -- who nearly snort at dairy products -- will soon get to try yogurt and milk in blue and yellow cartons. Today, Wednesday, spokesman Ingemund Bengtsson is opening a Swedish-Chinese dairy training center outside of Beijing.

This is a new type of cooperation, a new type of export investment, for the Swedish enterprises. For the Chinese, it is a short-cut to assistance and know-how.

In the flat plain north of Beijing -- so dusty in the autumn --there has been a race against time and bureaucracy to get everything ready. But now brigade four of the Beijiao state farm is being turned into the "China-Sweden Dairy Training Center" [in English in original].

The dairy lies along the wide new road up to the Wall of China. It will show everything that one can do with milk. Not least important is the fact that it will show what Swedish machinery and Swedish know-how can do with milk, all the way from the cow to the shop.

The Swedish enterprises are making sure, through obvious signs on the equipment, that they will not be forgotten. There are key men in the Chinese dairy industry who will attend courses here, and the enterprises can openly mix advertisement and assistance -- which is fully accepted in today's commercial climate in China.

"Pleased and Satisfied"

"The point of the project is that all parties will be 'gaoxing' (pleased and satisfied)," said Swedish director Mats Nilsson, using a newly acquired Chinese word.

The moving force behind the project is Professor Olof Claesson at the agricultural college in Ultuna.

The enterprises have donated almost all of the equipment, worth 10 million kronor. Five million are also coming from BITS, the Committee for International Technical Cooperation, for equipment and for the courses themselves.

Rationed Goods

"It is a small dairy, a dairy for teaching," said Mats Nilsmo. "It therefore also has machines and processes that are beyond China's present stage of development. It does not have the latest equipment."

This point in time may be well chosen. The Chinese have no tradition of milk production. So far, their attitude has been that milk is only something for small children and very old people. Milk is also rationed.

"But the dairy industry is now a priority sector," Mats Nilsmo said.

"The Chinese view it mostly as a question of food for children. Now, when they only have one child per family, it is even more important to them that this one child be well nourished."

The dairy can produce everything: milk, homogenized milk, yogurt, cream, ice cream, butter, cheese, and juice.

Pig Breeding Next

"Developing nutritional drinks could be interesting," Mats Nilsmo believed. "These could be products that do not even exist today, either in China or in Sweden."

If it is successful, the project can grow. Cooperation can be expanded to pig breeding, fodder production, and other branches.

The first course will be for dairy teachers, and then there will be several groups of dairy workers from all over the country.

Outside the new building, there is a large rust-brown tank. It is an example of the problems here. It is approximately 10 times too big, even though Mats Nilsmo sent the exact dimensions well in advance. And even if the dimensions had been in agreement, it would not have been a good idea to use it, since it had contained heavy oil.

"It is a difficult country to work in. It takes time, and one has to nag about everything," Nilsmo said.

Down on One's Knees

"The Chinese are doing their best the whole time. But they have problems with communications and transportation. We are learning a great deal about how they work, think, and plan. We can benefit from this in the future."

Mats Nilsmo and dairy chief Astor Lind have also had occasion to get down on their knees to show the young cleaners how to scrub the floor. The Chinese do not have the same requirements for cleaning as the Swedes.

But Nilsmo pointed out that the Chinese also have knowledge that we can benefit from. Their traditional methods are of interest to veterinarians, for example.



This is how one of the blue and yellow milk cartons that the residents of Beijing will get to buy looks. The enterprises that are involved in this activity are primarily Alfa-Laval, Kalmar Lagab, Hultstein, Z-Lift, LKB-Products, SMR (Swedish National Federation of Dairies), Wedholms, Tectator, Tetra Pak, and Volvo.

The full official name is the "China-Sweden Dairy Training and Product Development Center in Beijing."

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CSO: 3650/39

FOREIGN TRADE AND INVESTMENT

CHARTERED BANK REPRESENTATIVE IN XIAMEN INTERVIEWED

HK091016 Beijing ZHONGGUO XINWEN SHE in Chinese 1317 GMT 2 Dec 85

[Report by staff reporters Zhao Shengyu [6392 0524 3768] and Tian Di [3944 0966]: "The Chartered Bank Has Great Confidence in China--A Visit to the Chartered Bank's Representative Office in Xiamen"--ZHONGGUO XINWEN SHE headline]

[Text] Fuzhou, 2 December (ZHONGGUO XINWEN SHE--The British Standard Chartered Bank opened a representative office in Xiamen, China on 30 August this year. The office was temporarily set up on the fourth floor of Lu Jiang Guesthouse, which is located on the busy Lu Jiang Road, facing the beautiful Guland Island across the sea.

Guo Dexuan, 38, was appointed representative at the office. In good spirits, he told us as soon as he met us: The Chartered Bank headquarters in London has full confidence in China and hopes to set up branches in all the special economic zones. So far we have set up two branches, one in Shenzhen and the other in Shanghai; and three representative offices, in Beijing, Guangzhou, and Xiamen. We have already submitted to the Chinese authorities an application for upgrading our Xiamen representative office to a branch. The application is expected to be approved early next year.

Guo Dexuan said: As Britain sees it, the focal point of world economic development will shift to Asia in the next 10 years, and the most important area in Asia is China. Based on strategic considerations, the headquarters has made a decision to strengthen investment in China and promote the bank's business in the country. The Charterer's Bank intends to set up representative offices in other areas of China. He added: "We executives support this point of view and will adhere to this policy adopted by the headquarters."

He told us: In order to implement this policy and expand business in China, the China business section of the Hong Kong Chartered Bank has been expanded into a very big and separate division. The bank's Singapore branch will also set up its own China section, and the London headquarters and the American branch may possibly set up their own China sections too. Then a global coordinated network will gradually take shape. Mr Brown, regional general manager of the Chartered Bank, visited Xiamen several times this year and witnessed the great improvement of the investment environment in the special economic zone--a new airport has been built; preparations for the construction

of a highway linking southern Fujian, southern Jianxi, and southern Hunan are underway; a convenient telecommunications network makes direct dialing telephone service possible between the city and other places in the world, including Hong Kong and the United States; progress has been made in port construction; and the construction of infrastructure is in progress. The general manager of the Chartered Group also got a good impression of Xiamen during this visit to the city in late October. As a result, the representative office was established within a few months.

We were told that at present the representative office's major tasks are to establish relations, make studies, cooperate with more than 2,000 branches of the bank in more than 60 countries over the world to probe into foreign businessmen's intention of investing in Xiamen, investigate the status quo of old enterprises in Xiamen and Fujian Province regarding their efforts to transform themselves through introducing advanced technology and equipment, assist these enterprises in promoting foreign trade, and provide them with business information. Guo has been very satisfied with the progress made in the past two months or so since he assumed office here, and he thinks people here are very helpful. The representative office has assisted the British city Cardiff, which has established sister city relationship with Xiamen, in studying the feasibility of building a Cardiff tourist village on the Xiamen coast. The office has also provided services to some businessmen from Hong Kong, Australia, and Southeast Asia who are making investments in Xiamen.

Guo Dexuan, a native of Quanzhou, went to Hong Kong in 1959. He disagrees with those who hold that the Xiamen Special Economic Zone is slow in developing. He said: "Xiamen has a fair industrial basis, a [word indistinct] port, and a university to produce qualified personnel. The crux lies in [word indistinct] the city is going to make preparations, tap the potential of old enterprises, and transform them. If Xiamen can make good preparations, I think the city is likely to surpass Shenzhen in the future. Development should not be too rapid, but should be effected step by step. Any hasty action may cause trouble."

Guo Dexuan pointed out: There has not been much publicity about the Xiamen Special Economic Zone. From its September issue on, the "CHARTERED MONTHLY NEWSLETTER" has been dedicating a special column to introducing the Xiamen Special Economic Zone to the world from different angles.

Guo Dexuan disclosed that the Xiamen branch of the Chartered Bank, if established by approval, would plan to recruit graduates from Xiamen University to work with the bank and to introduce a computer system so as to give an impetus to the modernization of local banking services. As part of the bank's effort to foster qualified personnel for Xiamen, outstanding staff members would be sent abroad to receive training.

Guo Dexuan told us frankly: "Of course we want to make profits, reasonable profits. But we are not going to run away as soon as we have made profits. I would like to work here for a few years more."

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CSO: 4006/419

FOREIGN TRADE AND INVESTMENT

BRIEFS

ECONOMIC, TECHNOLOGICAL SERVICES OFFERED--Nanning, 10 December (ZHONGGUO XINWEN SHE)--In order to expand its economic trade abroad, Guangxi has set up an international economic and technological cooperation company today in Nanning. Lan Jianchao, former director of the construction commission of the Guangxi Autonomous Regional Government, is managing director and general manager of the company. Catered to the needs of foreign clients, he said, the company will contract construction projects abroad, provide technology and labor services, and run joint ventures. Economic circles abroad paid close attention to the Guangxi International Economic and Technological Cooperation Company even when it was being organized. So far, around 100 foreign businessmen have come to Nanning to hold trade talks with the company. Two companies from Hong Kong outstripped others and reached agreements with the company on labor service cooperation. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1222 GMT 10 Dec 85 HK] /12913

FUJIAN INVESTMENT PROMOTION MEETING--Jointly sponsored by the United Nations Industrial Development Organization and the Fujian Provincial Government, the Fujian Investment Promotion Meeting will open in Xiamen on 25 November. The secretariat of the meeting has formally started work at the Xiamen Guesthouse. Letters and cables from nearly 200 representatives abroad and in Hong Kong and Macao have been received, voicing their intention to attend the meeting. The meeting will let the world understand Fujian and Fujian understand the world, promote friendship, strengthen economic and technical cooperation between Fujian and the world, and explore new spheres and approaches for further cooperation. [Summary] [Fuzhou FUJIAN RIBAO in Chinese 21 Nov 85 p 1 OW] /12913

ZHEJIANG ECONOMIC COOPERATION--Zhejiang Province has made progress in forging economic ties with other localities across the nation, as well as with foreign countries in 1985. Since September 1984, the province has signed over 1,000 agreements and contracts with 28 provinces, municipalities, and autonomous regions, and with over 10 ministries and bureaus under the State Council and some national corporations and large backbone enterprises worth 500 million yuan. In foreign economic and technical exchanges and trade consultations, the province has received over 3,500 businessmen from more than 40 countries and regions. By the end of this September, agreements with foreign firms on setting up 45 joint ventures had been signed with a total investment of US\$167 million. Some 200 projects on importing advanced foreign technology and equipment have also been concluded. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 23 Nov 85 OW] /12913

CSO: 4006/419

TRANSPORTATION

PRC TO BOOST USE OF TRANS-SIBERIAN RAILWAY

HK030347 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 3 Dec 85 p 5

[Article by Paul Sham]

[Text] China will boost the use of the Trans-Siberian railway to transport goods to Russia and Eastern Bloc countries, a senior official of the China National Foreign Trade Transportation Corp (Sinotrans) said yesterday.

Sinotrans President Li Chuntian said the journey through the land bridge will take just half the time needed for the cargo to be shipped by sea to the Soviet Union.

The 35-year-old Sinotrans, which comes under the Ministry of Foreign Economic Relations and Trade, specializes in storage and transportation services.

China started using the Trans-Siberian Railway in 1980, transporting about 7,000 TEUS (20-ft equivalent units) a year. Volume this year is projected to rise to 10,000 TEUS, Mr Li said.

China's Seventh Five-Year Plan has called for a resumption of trade ties with Russia and other Eastern European countries.

Mr Li said China railway authorities have decided to buy flat cars to boost capacity next year and in 1987.

Talks on the flat-car deal are under way with a U.S. corporation.

China now sends its products by cargo train to border towns in Manchuria or Erlian, where they are then transferred to containers.

Mr Li said Hong Kong can also use the Trans-Siberian railway and benefit by the shorter transportation route after the flat cars begin service.

The land bridge is generally used by cities in inland China, such as Hunan.

Mr Li said Sinotrans will expand its sea network to Latin America and Africa, a move conforming with the government's policy to improve trade relations with countries in the two continents.

He also predicted the difficulties experienced by the shipping sector will not be over for another three years.

"Quite a number of old ships were scrapped," he said, "but quite a number of new ships were put into service as well."

He said this year is the worst for the industry.

China's shipping companies will only be slightly affected, Mr Li said. This is because no freight competition exists--exports are reserved for state shipping firms.

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CSO: 4020/135

TRANSPORTATION

HUNAN LEADERS INSPECT DOUBLE-TRACKED RAILWAY TUNNEL

HK151042 Changsha Hunan Provincial Service in Mandarin 2300 GMT 12 Dec 85

[Text] Yesterday afternoon, Mao Zhiyong, Xiong Qingquan, Yu Haichao, and other leading comrades of the provincial CPC Committee and government inspected the Nanling Tunnel on the double-tracking project of the Hengyang-Guangzhou railway.

According to the introduction given by the authorities, the Nanling Tunnel measures 6,058 meters in length. After more than a year's work, the province has dug 5,000 meters with good quality. During the inspection, Comrade Mao Zhiyong said: The CPC Central Committee and the State Council decided to put into operation the double-tracking project of the Hengyang-Guangzhou railway ahead of schedule. This is a major event. For Hunan, this is a road to prosperity and invigorating the economy. The section of the Hengyang-Guangzhou railway that passes through the province measures 210 kilometers in length. After analysis, we have found that the most difficult task is the Nanling Tunnel.

Comrade Xiong Qingquan put forward three requirements for building well the double-tracking project of the Hengyang-Guangzhou railway. First, he hopes that the railway construction department will promptly accomplish the construction plans and project the possible difficulties. Second, the department should grasp the two civilizations. It must build well the railway and cultivate qualified personnel. Third, the department should grasp well the building of the organization. The key to fulfilling this rests with the leadership. Authorities at provincial, prefectural, county, and town levels must greatly support the work.

Yesterday morning, Mao Zhiyong, Xiong Qingquan, and other leading comrades also inspected the (Linyujiang) hydroelectric power plant at (Dong Jiang) dam. They encouraged the workers there to put the power plant into operation ahead of schedule, so as to meet the power supply needs for the electrification project of the double-tracked Hengyang-Guangzhou railway.

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CSO: 4006/450

TRANSPORTATION

BELJING-QINHUANGDAO RAILWAY OPENS TO TRAFFIC

OW150734 Beijing XINHUA in English 0713 GMT 15 Dec 85

[Text] Beijing, 15 Dec (XINHUA)--A new double-track, electric railway from Beijing to the port city of Qinhuangdao opened to traffic today.

The 341-kilometer railway is linked with the Datar g-Beijing electric railway to move coal out of Shanxi Province, China's leading coal producer, to Qinhuangdao for export or domestic use.

It is one of the country's major construction projects during the Sixth 5-Year Plan period (1981-1985). Construction work on the railway started in March, 1982.

The railways ministry said that the Beijing-Qinhuangdao electric railway is designed to carry 45 million tons of coal annually in the coming years and the capacity will increase to 70 million tons by 1990.

During the 1981-1985 period, China has built 2,522 kilometers of electric railways, bringing the country's total electric railway length to 4,200 kilometers.

Li Wenyi, director of the Electrification Engineering Bureau of the Railways Ministry, told XINHUA that more electric railways would be built during the Seventh 5-Year Plan period (1986-1990). By the end of this century, half of the country's rail freight would be carried by electric trunk railways, he added.

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CSO: 4020/135

TRANSPORTATION

COMMUNICATIONS MINISTRY NOTES MORE ROADS, BRIDGES BUILT

OW141904 Beijing XINHUA in English 1854 GMT 14 Dec 85

[Text] Beijing, 14 Dec (XINHUA)--China has built 52,000 kilometers of highways and 15,000 bridges since 1981, the Ministry of Communications said today.

It now has a total of 940,000 kilometers of highways. Eight bridges, each exceeding 1,000 meters, have been thrown across the Yangze, Yellow and other major rivers during the Sixth 5-Year Plan period which ends this year.

The 1,937 kilometer Qinghai-Tibet highway, which snakes across the "roof of the world", has been asphalted, the ministry told XINHUA.

The total number of passengers handled by highways is expected to top 4.1 billion this year, and the figure for the annual volume of cargo transport will be 660 million tons.

The average Chinese now takes 1.5 times as many bus rides as in 1980, indicating increased economic and other activities, according to the ministry.

China now encourages through transport between provinces, in an effort to streamline highway cargo and passenger flow.

It has so far opened 2,300 inter-province through routes for passenger transport, handling a daily average of 450,000 passengers.

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CSO: 4020/135

TRANSPORTATION

BRIEFS

GANSU HIGHWAY TRANSPORT--Highway transport has developed rapidly in the province in recent years. There are now more than 60,000 vehicles for civil use in the province, of which 48,000 are operated by non-transportation departments and more than 4,000 are run by individual operators. [Summary] [Lanzou Gansu Provincial Service in Mandarin 1100 GMT 12 Dec 85 HK] /9738

GUANGXI HIGHWAY BRIDGE--Nanning, 7 Dec (XINHUA)--The seventh highway bridge spanning the Hongshui He in Guangxi was completed and opened to traffic on 6 December. The new bridge, called the Yantan Highway Bridge, is 314.6 meters long, and its roadway is 15 meters wide. It is a major subsidiary project in association with the construction of Yantan Hydro-power Plant, aimed at exploiting the water power of the Hongshui He. [Summary] [Beijing XINHUA Domestic Service in Chinese 0745 GMT 7 Dec 85 OW] /9738

MAYOR ON TRAFFIC PROBLEMS--Shanghai Mayor Jiang Zemin made a televised speech on Shanghai's traffic problems at the Shanghai Television station this evening. Mayor Jiang pointed out: The peak transport season is already here. To ensure traffic safety and normal communications in the urban areas, measures must be taken to deal comprehensively with the root cause and symptoms of the city's traffic problem. Mayor Jiang put forward the following four requirements regarding the observance of traffic regulations: 1. Bicyclists and pedestrians must cultivate the good habit of observing traffic rules and paying attention to traffic safety. 2. Motorvehicle operators must strictly abide by traffic rules. 3. Personnel of industrial, transport, and municipal administrative departments and policemen of public security and traffic departments must continue to work hard in order to do an even better job in maintaining traffic order. 4. Special attention must be given to publicizing traffic rules until they are known to everyone in Shanghai. [Text] [Shanghai City Service in Mandarin 1100 GMT 4 Dec 85 OW]/9738

CHANGJIANG SHIPPING ADMINISTRATION--Wuhan, 8 Dec (XINHUA)--The 22 harbors on the Chang Jiang under the jurisdiction of the Changjiang Shipping Administration Bureau fulfilled the 1985 freight and passenger transport plans 34 days and 50 days ahead of schedule respectively. Since the Changjiang Shipping Administration Bureau separated the management of

harbors from that of shipping, all harbor wharves along the river have stopped serving only the Changjiang Shipping Administration Bureau's ships and started to serve thousands of vessels. As a result, the number of vessels sailing into and out of harbors has greatly increased. A number of wharves and freight yards built or expanded at all major harbors along the river, and the harbor loading and unloading machinery and modern communication equipment purchased with state funds during the period of the Sixth 5-Year Plan have started to produce beneficial results. The volume of freight handled by Nanjiang Harbor in January-November this year increased by more than 1.9 million metric tons over the corresponding period last year. [Article by correspondent Gui Huiqiao and reporter Luo Zhongzhang] [Text] [Beijing XINHUA Domestic Service in Chinese 0113 GMT 8 Dec 85 OW] /9738

ZHEJIANG'S NINGBO HARBOR--In addition to a multitude of harbor functions it can play, the Ningbo Harbor in Zhejiang is using a 220,000-ton-class offshore oil-unloading platform at Beilun Port. By mid-November, some 200 foreign vessels had called at Ningbo Harbor this year, half over 10,000 tons. The quantity of export goods handled more than double last year's [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 8 Dec 85 OW] /9274

NEW MONGGOL HIGHWAY BUILDING--During the Sixth 5-Year Plan period, Nei Monggol Region has made a rapid progress in building highways. By the end of this year, the total regional mileage of highways will reach 39,000 km, prefulfilling the target set by the Sixth 5-Year Plan. Now there are 3.3 km of highways for each 100 square kilometers of area, and 20 km of highways for each 10,000 persons. From 1981 to 1985 highways with a total length of 4,000 km have been built throughout the region. Of this figure 100 km are second-class highways; 600 km are third class; and 3,000 km are of fourth class. During these 5 years a total of 720 km of highways have been asphalted, and 64 large and medium-sized bridges with a total length of 7,200 meters have been built. [Summary] [Hohhot NEIMENGGUO RIBAO in Chinese 20 Nov 85 p 1 SK] /9274

CHONGQING CIVIL AIRPORT--Chongqing, 30 Nov (XINHUA)--Construction work on Chongqing City's Jiangbei Civil Airport, which will be equipped with modern facilities, started today. The first-phase major projects at the large airport include a 2,600-meter runway, a 12,000-square meter airport terminal building, a first-rate highway linking the airport and Chongqing City, and power and water supply facilities. The airport will be equipped with a modern navigational system, instrument landing system, and night flying lighting facility. It will be able to handle take-offs and landing of Boeing 707's, Boeing 747's, and other types of large passenger aircraft. [Text] [Beijing XINHUA Domestic Service in Chinese 1610 GMT 30 Nov 85 OW] /9274

CHANGCHUN-GUANGZHOU AIR ROUTE--A new nonstop air route between Changchun, Jilin Province, and Guangzhou, Guangdong Province, began service on 20 November. It only takes 3 hours and 45 minutes to fly from Changchun to Guangzhou by Boeing 737. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 28 Nov 85 SK] /9274

14 January 1986

YUNNAN BUYS BOEING 737--Kunming, 11 Dec (XINHUA)--A Boeing 737-300 airliner was handed over here today to the Yunnan Provincial Airline Company by its U.S. makes. It is the first of two airliners the company has ordered from Boeing. The second will be handed over in February, according to a company spokesman. The Yunnan Company is the first local Chinese airline to buy Boeing planes. [Text] [Beijing XINHUA in English 1642 GMT 11 Dec 85 OW] /9738

RAILWAY TRANSPORT CAPACITY EXPANDS--Guangzhou, 17 Dec (XINHUA)--The Guangzhou Railway Administration increased its transport capacity to 67 billion ton-kilometers this year from 43.4 billion ton-kilometers in 1981, the administration officials said today. Officials attributed the increase to the drive to tap the potential and expand transport capacity, which started in 1982. To make the Beijing-Guangzhou trunk railway smoother, the administration has built converging facilities for the incoming and outgoing trains at a section linking Hunan and Guangdong Provinces, which used to be a bottleneck. At its own expense, the Guangzhou Railway Administration has updated its railway lines and imported advanced equipment. Since 1982, the administration has saved 200,000 tons of coal, 63,000 tons of fuel oil, 10.66 million kilowatt-hours of electricity and 47 million tons of steel. [Text] [Beijing XINHUA in English 0853 GMT 17 Dec 85 OW] /9738

CSO: 4020/135

HONG KONG

FINANCE SECRETARY DISCUSSES PEGGED FOREIGN EXCHANGE RATE

Hong Kong WEN WEI PO in Chinese 17 Oct 85 p 7

[Article: "Finance Branch Discusses Pegged Exchange Rate System; Hong Kong Government Will Not Make Revision--Criticizing Qi Lian Huo's Proposal As 'Lack of Common Sense' and Saying That There Is No Actual Need for Establishing Deposit Insurance System"]

[Text] Finance Secretary Bremridge stressed that there will not be any change in the current pegged exchange rate system and pointed out that the proposal put forth by Qi Lian Huo [4362 6647 3172], board member of the Jingtai [2529 3141] Investment (Asia) Ltd, day before yesterday about letting the public participate in HK\$-US\$ transaction at official rate was "ignorant" and "lack of common sense."

Qi Lian Huo proposed day before yesterday at an international investment seminar of the Hong Kong Management Personnel Association that letting the public participate in the operation of the pegged exchange rate system will greatly stabilize the interest rate in Hong Kong and narrow the gap of interest rates between Hong Kong and the United States and at the same time regulate the economy more expeditiously and effectively.

Bremridge yesterday told reporters after a luncheon sponsored by the same organization that the Hong Kong Government has the responsibility to safeguard the operation of the currency exchange system. He emphasized that the present link exchange rate system is very effective and the government has absolutely no intention to revise it in any way.

Bremridge said that he and Qi Lian Huo had been in constant touch discussing the exchange rate issue and that he had expressed to him more than once that there would be no change in the pegged exchange rate system in form. So he could not understand why Qi Lian Huo still put forth that proposal.

He indicated that "there is no advantage" in actually implementing Qi Lian Huo's proposal because the expenses of enforcing the proposal would be enormous and in the event of a financial crisis, the residents of the city would queue up to exchange U. S. dollars making the problem even difficult to control.

Touching on the establishment of the deposit insurance system, Bremridge indicated that there is no actual need because the foreign exchange fund is sufficient to cope with any changes.

Bremridge declared that the deposit insurance system requires several large banks to provide expenses in excess of 60 percent, which is unfair to these well-run institutions with fewer risks. However, he pointed out that the proposal on setting up a deposit insurance system will be discussed by the legislative council at the end of this year before a final decision is made.

The Finance Branch is extremely dissatisfied with the irresponsible and erroneous report that caused a fluctuation in the foreign exchange market for a time as a result of the rumor that the government would make a self-criticism on the pegged foreign exchange rate system.

12662/9190

CSO: 4006/193

HONG KONG

MAJOR HONG KONG BANKS SUPPORT KA WAH BANK

Hong Kong TA KUNG PAO in Chinese 10 Oct 85 p 4

[Article: "Hongkong And Shanghai Banking Corp and Bank of China Reiterate Continual Support for Ka Wah Bank--Price of Ka Wah Stock Nose-dives As Result of Rumors; Ka Wah Indicates No Need To Use Credit Reserve As Its Money Supply Is Plentiful"]

[Text] In an interview with a TA KUNG PAO reporter yesterday, the general manager of the Hongkong and Shanghai Banking Corp, Lei Xingwu [7191 5281 1889], emphasized that the news about the Hongkong and Shanghai Corp withdrawing its credit reserve for the Ka Wah Bank are pure rumors. The Hongkong and Shanghai Banking Corp will continue its support of Ka Wah. Huang Jianing [7806 1367 1337], secretary of the Ka Wah Banking Corp, indicated that the Hongkong and Shanghai Banking Corp and the Bank of China have supported Ka Wah Bank all along and that the bank has still not touched the credit reserve it obtained in June.

The rumor about the Hongkong and Shanghai Banking Corp withdrawing the credit reserve for Ka Wah Bank yesterday had caused a drop of Ka Wah stock from HK\$0.78 per share the day before yesterday to the lowest at HK\$0.66 and HK\$0.73 at closing time. At its lowest, it registered a drop of 15 percent. Lei Xing Wu said: "The news was completely inaccurate. It was a fabricated rumor. As announced in June, the Hongkong and Shanghai Banking Corp will continue its support for the Ka Wah Bank. We still keep the promise to supply the credit reserve."

When asked about his views regarding the recent development of the banking industry in Hong Kong, Lei Xingwu indicated that the Hong Kong banking industry had never come across a much worse hardship than the last one when problems surfaced in June this year in the Overseas Trust Bank and the Industrial and Commercial Bank. The problems, which actually culminated several years ago, came to light only recently. The Hong Kong Government has worked out a revision of the banking regulations, Banking Commissioner Hu Liyi [7202 4409 5030] will also tighten supervision over the banking industry. The banking industry should continue to develop steadily.

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HONG KONG

KA WAH COMMISSIONER SCOTCHES 'RUMORS'

Hong Kong TA KUNG PAO in Chinese 10 Oct 85 p 4

[Article: "Ka Wah Performs Quite Well in Business, Says Banking Commissioner Huo Li Yi; Most Profits from First Half of Year Go to Accumulation Fund"]

[Text] Banking Commissioner Huo Liyi [7202 4409 5030] described recent rumors as "nonsense." He told the reporter that the information his office received indicated that the Ka Wah Bank was performing well in business recently. The two major banking groups here, the Hongkong and Shanghai Banking Corp and the Bank of China, will continue support of the Ka Wah Bank. He had not heard of any changes in the credit reserve provided to the Ka Wah Bank by these two banks. Since the daily operations of the Hong Kong banking industry are progressing normally, the Hong Kong Government has no intention at all to refute one by one the rumors that come out of the market regularly.

Su Yuanqing [5685 3293 1987], assistant general manager of the Hong Kong branch of the Bank of China, said: "The Bank of China will continue its support of the Ka Wah Bank. We still provide credit reserve for Ka Wah."

Huang Jianing [7806 1367 1337], secretary of the Ka Wah Banking Corp said that the Hongkong and Shanghai Banking Corp and the Bank of China still supported them vigorously and that he had no idea how the rumors got out from the market about the Hongkong and Shanghai Banking Corp withdrawing the credit reserve for Ka Wah. The Ka Wah Bank had not touched this sum of money at all since the credit reserve was made available because the Ka Wah Bank had sufficient money on hand to meet its own needs.

Huang Jianing also touched on the performance of the Ka Wah Bank. He said, the midterm performance record published earlier showed Ka Wah making a profit of more than HK\$2.6 million during the period, which was much lower than that in the midterm last year. As a matter of fact, the Ka Wah Bank diverted most of the profits it earned to its internal accumulation fund only as a general reserve with no other particular purpose in mind. As numerous rumors continued to surface in the market in recent months, Ka Wah has had to make available more money supply cautiously for emergency needs.

He also indicated that the number of bad accounts in Ka Wah Banking during the first half of the year was only at a general level and deposit-taking business is stabilizing and showing signs of a gradual rebound. It will take some time to completely restore the confidence affected by the rumors in June. Recently some old customers have transferred back to Ka Wah the deposits which they took out earlier. In the meantime, Ka Wah has also accepted deposits from some new accounts.

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